

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of South Haven	County Van Buren County
Fiscal Year End June 30, 2006	Opinion Date August 31, 2006	Date Audit Report Submitted to State November 10, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

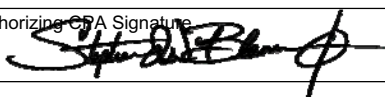
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (517) 787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801



## **VAN BUREN COUNTY**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2006**

**Prepared by: Finance Department**

# CITY OF SOUTH HAVEN

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## **INTRODUCTORY SECTION**



# City of South Haven

City Hall • 539 Phoenix Street • South Haven, Michigan 49090-1499

Telephone (269) 637-0700 • FAX (269) 637-5319

August 31, 2006

Honorable Mayor,  
Members of City Council  
City of South Haven, Michigan

The comprehensive annual financial report of the City of South Haven for the fiscal year ended June 30, 2006, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of South Haven. All disclosures necessary to enable the reader to gain an understanding of the City financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, management discussion and analysis, the City organizational chart and a list of principal officials. The financial section includes the financial statements and the combining and individual fund financial statements and schedules, supplementary information, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The comprehensive annual financial report complies with the reporting requirements of GASB 34.

The report includes all funds of the City of South Haven. The City provides a wide range of municipal services which include police protection; electric, water and wastewater services; the construction and maintenance of highways, streets, and other infrastructure; seasonal and transient marinas, boat launch and other recreation activities and cultural events. In addition to general City activities, the Building Authority is included in the reporting entity as a blended component unit. Component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations. The Downtown Development Authority, three Local Development Finance Authority Districts and a Brownfield Redevelopment Authority are reported as separately presented component units. On January 1, 1996 the City of South Haven entered into a joint venture with the Townships of Casco, Geneva, and South Haven to provide fire protection and emergency medical services. The South Haven Area Emergency Services Authority (SHAES) is a separate legal entity and prepares separate audited financial statements. The City also collects tax revenues that are used to assist the operations of the South Haven Memorial Library, the South Haven Community Hospital and the South Haven Senior Services, all separate legal entities.

## **Government Structure, Local Economic Condition and Outlook**

The City of South Haven was incorporated as a Village in 1869 and as a City in 1902. The City is located in the southwest area of the State of Michigan where the Black River flows into Lake Michigan. The City of South Haven covers a land area of 3.5 square miles. With a 2000 Census population of 5,021, The City increases to over 15,000 during the summer boating and recreational season. In addition, the City provides electric, water and wastewater services in an area exceeding 60 square miles.

The City operates under the council-manager form of government. Policy making and legislative authority are vested in the City Council, which consists of a mayor and a six-member council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of City departments. The City is divided into three wards of which two members are elected from each ward to four-year staggered terms. Three Council members are elected every two years on a non-partisan basis. The mayor is elected to a two-year term.

The State Equalized Value of real and personal property in the City has increased from \$156,181,796 in 1996 to \$420,505,100 in 2005 (fiscal year 2006). This growth trend is continuing. State Equalized Value for the year beginning July 1, 2006 has increased to \$450,151,300. The area unemployment rate in June of 2006 was 6.5 percent compared to a State of Michigan unemployment rate of 6.3 percent. Downtown Retail District storefronts have less than a 2% vacancy rate.

The City has three business/industrial parks where new businesses continue to develop and existing businesses continue to expand. Edgeworks, a manufacturer of hi-tech glass cutting tools broke ground for a new manufacturing facility in the I-196 Business Park in FY 2006. Vanderzee Auto Sales purchased land in the I-196 Business Park and will open in the fall of 2006.

Residential development and investment remains strong. Riverwatch Condos, a 60-unit condo development along the Black River, was approved in fiscal 2006. Maple Gate, an 11-unit development started construction in FY 2006. Environmental cleanup of the former National Motors site is complete and residential redevelopment plans have been approved for 240 units. Infrastructure improvements for Sherman Hills, a 151-unit development were completed in FY 2006.

Menards purchased land for a new store in South Haven and is expected to break ground on their new facility in the fall of 2006 with an expected store opening in 2007.

The City of South Haven is enjoying an expanding profile as a national and international tourist destination and a place where visitors from major metropolitan areas continue to purchase second homes.

There are six area and regional commercial bank branches and thrift institutions within the City serving the banking needs of the City and its residents and visitors.

Interstate 196 traverses the City with connections north and east to Grand Rapids and Lansing and south to Interstate 94. State highway M-43 connects South Haven to Kalamazoo area markets and the campus of Western Michigan University.

Lake Michigan Community College has a campus in South Haven and has partnered with Western Michigan University to offer classes in South Haven.

## **Major Initiatives**

For the Year. In the 2005-2006 operating budget, the City established the areas of Public Works Infrastructure; Economic Development; Technology; Public Safety; Intergovernmental Relations and Parks and Recreation as priorities. These areas were addressed through attention to:

- Public Works Infrastructure – Reconstruction of Baseline Road and a portion of Quaker Street was completed in fiscal 2006. Phase 1 of Superior Street reconstruction started in fiscal 2006. Much of the sewer system was upgraded with Cured in Place Pipe (CIPP).
- Economic Development - In fiscal 2006 the City marketed the I-196 Business Park, along with vacant buildings in the community. The City of South Haven continued marketing the former public works property located along the Black River. A development agreement was reached for the 38,000 sq. foot former Bohn property located in the downtown area and owned by the City. Continued development and planning efforts for this site are anticipated during fiscal 2007. The City of South Haven worked closely with State and business officials to secure a purchaser for the DSM Inc. facility.
- Public Safety - A substantial commitment of resources was directed to the support of public safety in fiscal 2005. The Police Department and Dispatch Services constituted \$1,923,513 of the General Fund budget during the year. Payment to the South Haven Area Emergency Services Authority (SHAES) for fire and emergency services totaled \$495,302 from the General Fund. In total, over 48 percent of the General Fund operating budget was devoted to police and fire protection. In addition, expenditures from the separate Narcotics Fund were in excess of \$194,000. The Narcotics Fund financed the South Haven Police Department continued participation in the Southwest Enforcement Team (S.W.E.T.)
- Intergovernmental Relations - The City has continued to work with the Townships of Casco, South Haven and Covert to provide water and/or sewer services to the areas surrounding the City of South Haven. These expansions have been steady and ongoing since the City entered into an intergovernmental agreement for services in 1995. Negotiations were completed in fiscal 2001 for a five-year renewal (options to renew up to 25 years) of the South Haven Area Emergency Services Authority (SHAES) agreement. This agreement provides fire and emergency services for the City of South Haven and the Townships of Geneva, South Haven and Casco.

- Parks and Recreation – The City-owned portable ice rink was open during the winter months in the Huron Street Parking lot.
- Technology Improvements - The City of South Haven improved its website to increase in usability and interactivity. Assessing records, agendas, minutes and other City records are now accessible via the Internet. The City's computer systems were upgraded to improve performance and reliability. City Council started receiving Council Agendas in electronic format.

For the Future. The 2006-2007 operating budget places emphasis on Infrastructure Improvements, Capital Projects, Economic Development, Technology Improvements and Recreation.

- Infrastructure Improvements - The City will be using the City's Street millage and County Road millage to pay for extensive street improvements. Phase I of the Superior Street reconstruction will be completed in FY 2007. Phase II of Superior Street reconstruction will take place in 2007. Reconstruction of road and utilities on Black River Street will take place in fiscal 2007. Future needs of the City's water plant and water distribution system will be studied in 2006-07.
- Capital Projects - The City will work on the redevelopment of City owned land along the Black River that was previously used by the Public Works Department. This riverfront property lies within the City's DDA District. It is anticipated that this process will take several years.
- Economic Development - The City of South Haven Brownfield Redevelopment Authority will continue working with five property owners on various grants and tax increment financing proposals in order that brownfield sites can become productive. Those sites include the Belgravia Building, the former Everett Building site, the National Motors site, all residential development projects, and two industrial projects - Wyckoff and Michigan Aluminum Alloys.
- Technology Improvements - The City will also work to improve on-line access to Assessing records, Tax records, Council Minutes and Agendas and other City documents. Council chambers will be renovated to improve the broadcast quality of City meetings.
- Recreation - The City will work to secure funding to purchase real estate for the development of a regional recreation center. A larger ice rink will be purchased and in operation during the winter months.

## Financial Information

Management of the City of South Haven is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

Single Audit. As a recipient of federal and state financial assistance, the City of South Haven is also responsible for ensuring that adequate internal control is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control is subject to periodic evaluation by management staff of the City. The City was not subject to a Single Audit for the fiscal year ended June 30, 2006.

Budgetary Controls. The City maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds and Debt Service Funds are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the activity level. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

Debt Administration. The ratio of net general obligation debt to State Equalized Valuation and the amount of bonded debt per capita are useful indicators of City debt position to municipal management, citizens and investors. Data for fiscal year 2005-2006 and the previous four fiscal years are as follows:

<b>JUNE 30,</b>	<b>NET GENERAL OBLIGATION BONDED DEBT</b>	<b>RATIO OF NET BONDED DEBT TO STATE EQUALIZED VALUE (50% OF MARKET VALUE)</b>	<b>NET BONDED DEBT PER CAPITA (2000 CENSUS)</b>
2006	\$ 9,250,000	2.19%	\$1,832
2005	9,705,000	2.45	1,925
2004	10,155,000	2.94	2,015
2003	10,570,000	3.35	2,098
2002	5,140,000	1.83	1,017

Tax supported debt remains well under 10 percent of SEV, which is a often a benchmark used by credit rating agencies.

In October of 2001, Standard and Poor's gave the City of South Haven's General Obligation Debt an A- rating.

In December of 2002, Standard and Poor's and Fitch Ratings gave the City of South Haven's General Obligation Debt an A rating.

The Rating Committee of Moody's Investors Services reviewed and assigned an A3 rating for the City of South Haven Electric Utility System Revenue bonds in December 1999.

Based on a 2005 State Equalized Value (SEV) of \$420,505,100, the legal debt margin of the City for special assessment bonds exceeds \$50,000,000 and for general obligation bonds the legal debt margin is over \$31,000,000.

Cash Management. Cash temporarily idle during the year was invested in bank demand deposits, certificates of deposit, commercial paper, obligations of the U.S. Treasury, and U.S. Government agencies as permitted by State law and City policy. The maturities of investments generally range from 3 months to 5 years. The average yield on investments for the year was 3.74 percent, compared to 2.47 percent in fiscal year 2005. Investment income was \$583,790 for the year.

Risk Management. As of June 30, 2006, the City of South Haven participated in two public entity risk pools. The Michigan Municipal Risk Management Authority pool provided insurance coverage for liability, auto, crime, and property damage risks. The Michigan Municipal Liability and Property Pool provided coverage for workers' compensation.

## **Other Information**

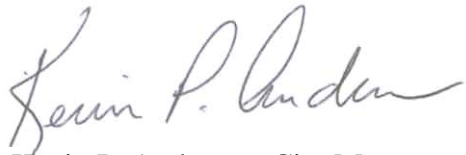
Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected by the City of South Haven to perform the June 30, 2006 audit. The auditors' report on the financial statements and combining and individual funds statements and schedules is included in the financial section of this report.

Awards. The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This is the sixth consecutive year the City received this award. In order to be awarded a Certificate of Achievement, the City of South Haven published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and will submit it to the GFOA to determine eligibility for another certificate.

Acknowledgements. The preparation of these statements could not have been accomplished without the efficient and dedicated services of the entire staff of the City of South Haven. Credit should also be given to the South Haven City Council for their interest and support in planning and conducting the operations of the City of South Haven in a responsible and progressive manner.

Sincerely,

A handwritten signature in cursive script, reading "Kevin P. Anderson".

Kevin P. Anderson, City Manager

A handwritten signature in cursive script, reading "Marvin F. Hinga".

Marvin F. Hinga, Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Haven  
Michigan

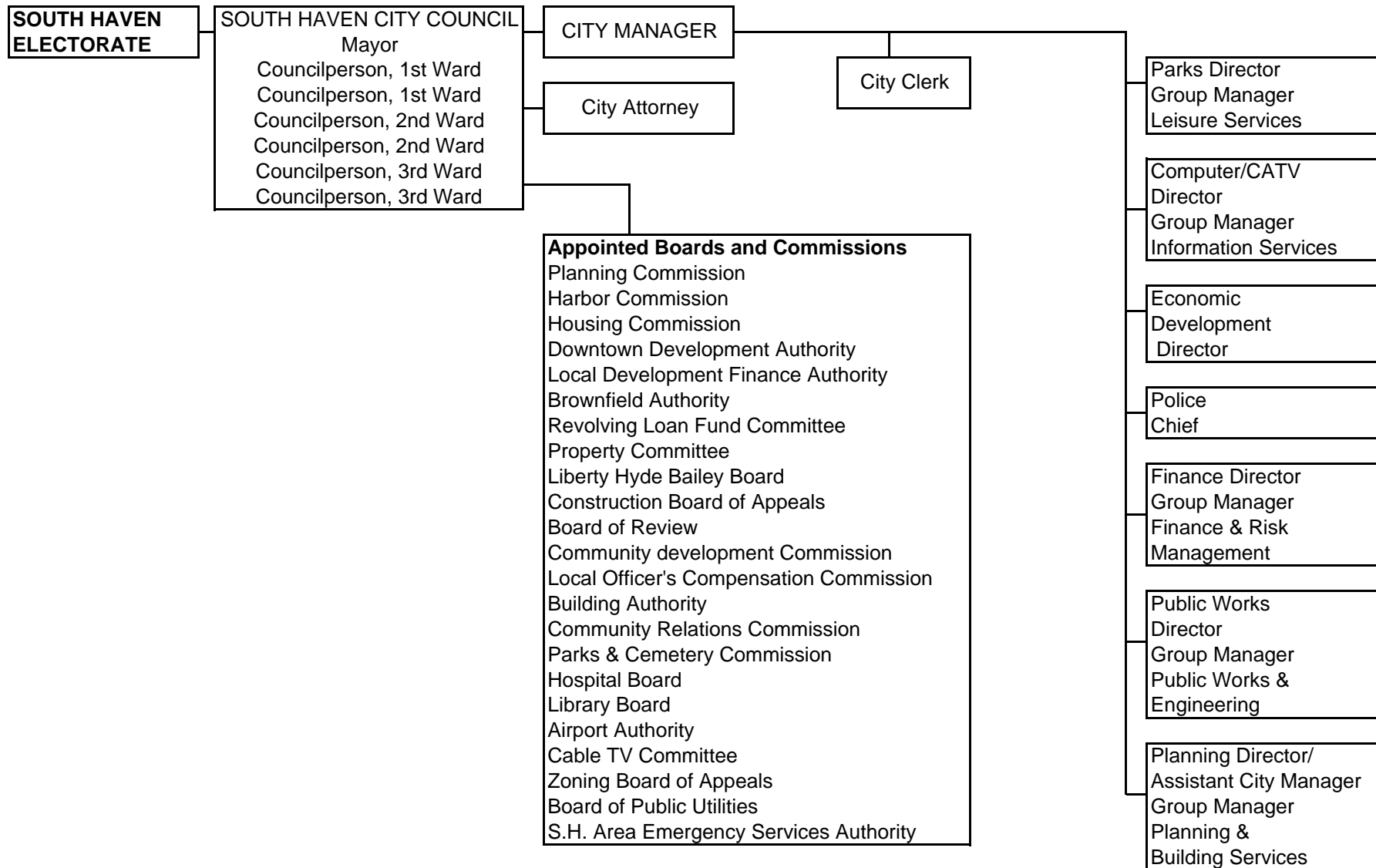
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



# City of South Haven, Michigan

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2006

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City Officials at June 30, 2006

**Dorothy Appleyard**  
Mayor

**Scott Smith**  
Mayor Pro-Tem

**Vikke Andersen**  
Councilmember

**William Bradley**  
Councilmember

**Janet Fahs**  
Councilmember

**David Paull**  
Councilmember

**Timothy Stegeman**  
Councilmember

**Kevin P. Anderson**  
City Manager

Prepared by  
City of South Haven  
Finance Department

## **FINANCIAL SECTION**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

August 31, 2006

Honorable Mayor and Members of  
the City Council  
City of South Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of South Haven, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of South Haven, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of South Haven, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of South Haven's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the City of South Haven's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of South Haven, we offer readers of the City of South Haven financial statements this narrative overview and analysis of the financial activities of the City of South Haven for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our transmittal letter, the financial statements and notes to the financial statements.

### Financial Highlights

- Reconstruction of Baseline Road.
- Completion Cured-in-Place Pipe upgrade to sewer system
- Reconstruction of a major portion of Quaker Street
- Phase 1 of Superior Street reconstruction

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of South Haven financial statements. The City of South Haven basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of South Haven finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of South Haven assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of South Haven is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of South Haven that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of South Haven include general government, public safety, public works, highways and streets, health and welfare, and recreation and culture. The business-type activities of the City of South Haven include electric, water, and sewer.

The government-wide financial statements include not only the City of South Haven itself (known as the *primary government*), but also legally separate component units for which the City of South Haven is financially accountable. Component units include the Downtown Development Authority, three Local Development Finance Authorities, and the Brownfield Redevelopment Authority. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Haven, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Haven can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of South Haven maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Sewer Rehabilitation Capital Projects Fund, each of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of South Haven adopts an annual appropriated budget for its general, special revenue, and debt service funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15-19 of this report.

**Proprietary funds.** The City of South Haven maintains 2 different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of South Haven uses enterprise funds to account for its Electric, Water and Sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of South Haven various functions. The City of South Haven uses an internal service fund to account for its Motor Pool, Information Services, and Self-insurance operations. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise operations of which Electric, Water, and Sewer are considered to be major funds of the City of South Haven.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of South Haven's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statement can be found on page 24 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 48-78 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of South Haven, assets exceeded liabilities by \$35,109,610 at the close of the most recent fiscal year.

By far the largest portion of the City of South Haven net assets (59%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of South Haven uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of South Haven investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## City of South Haven Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 5,074,560	\$ 5,502,252	\$ 12,472,495	\$ 12,431,720	\$ 17,547,055	\$ 17,933,972
Capital assets	<u>12,444,119</u>	<u>12,130,731</u>	<u>19,584,141</u>	<u>19,102,624</u>	<u>32,028,260</u>	<u>31,233,355</u>
Total assets	<u>17,518,679</u>	<u>17,632,983</u>	<u>32,056,636</u>	<u>31,534,344</u>	<u>49,575,315</u>	<u>49,167,327</u>
Long-term liabilities outstanding	9,919,322	10,228,563	1,791,036	1,642,832	11,710,358	11,871,395
Other liabilities	<u>696,903</u>	<u>1,922,661</u>	<u>2,058,444</u>	<u>1,949,775</u>	<u>2,755,347</u>	<u>3,872,436</u>
Total liabilities	<u>10,616,225</u>	<u>12,151,224</u>	<u>3,849,480</u>	<u>3,592,607</u>	<u>14,465,705</u>	<u>15,743,831</u>
Net assets:						
Invested in capital assets, net of related debt	2,648,904	2,225,731	17,899,141	17,402,624	20,548,045	19,628,355
Restricted	974,769	849,964	770,311	294,997	1,745,080	1,144,961
Unrestricted	<u>3,278,781</u>	<u>2,406,064</u>	<u>9,537,704</u>	<u>10,244,115</u>	<u>12,816,485</u>	<u>12,650,179</u>
<b>Total net assets</b>	<b><u>\$ 6,902,454</u></b>	<b><u>\$ 5,481,759</u></b>	<b><u>\$ 28,207,156</u></b>	<b><u>\$ 27,941,736</u></b>	<b><u>\$ 35,109,610</u></b>	<b><u>\$ 33,423,495</u></b>

An additional part of the City of South Haven's net assets (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (\$12,816,485) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of South Haven is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previous year.

The government's net assets increased by \$1,686,115 during the current fiscal year. This growth is due to property tax growth, county road millage revenue, the extent of capital asset purchases, payment on long-term debt and positive returns on enterprise fund activities.

### Governmental activities

Governmental activities increased the City of South Haven's net assets by \$1,420,695, thereby accounting for 84% of the total growth in the net assets of the City of South Haven. Key elements in the change of net assets are as follows:

During the year a significant portion of governmental fund resources were utilized to purchase long-term capital assets and to pay down long-term debt. These long-term investments in combination with stable depreciation expense resulted in the current year increases.

### Business-type activities

Business-type activities increased the City of South Haven's net assets by \$265,419, thereby accounting for 16% of the total growth in the net assets of the City of South Haven. Key elements of this increase are as follows:

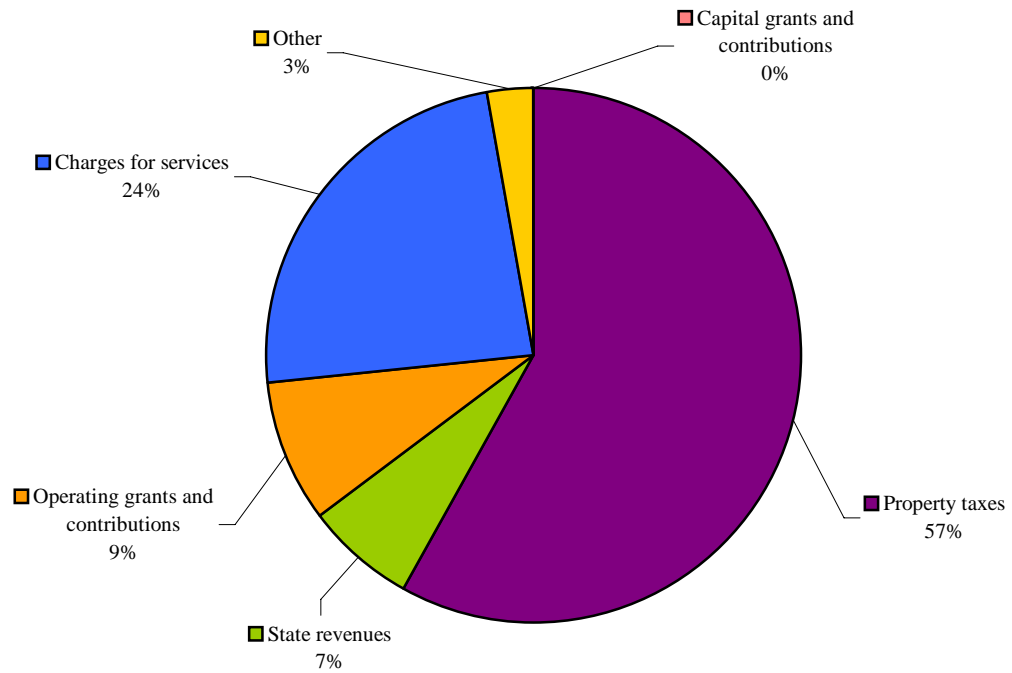
The City electric fund all had an excess of revenues over expenditures for the year due to higher interest earnings and higher contributions to aid construction.

### City of South Haven Changes in Net Assets

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Revenue:						
Program revenue						
Charges for service	\$ 1,807,817	\$ 1,854,786	\$ 13,130,266	\$ 12,568,715	\$ 14,938,083	\$ 14,423,501
Operating grants and contributions	668,310	550,843	22,500	7,500	690,810	558,343
Capital grants and contributions	8,095	11,743	292,334	15,190	300,429	26,933
General revenue:						
Property taxes	4,417,615	4,215,864	-	-	4,417,615	4,215,864
State	497,039	500,862	-	-	497,039	500,862
Other	<u>210,166</u>	<u>128,300</u>	<u>1,165,103</u>	<u>1,315,017</u>	<u>1,375,269</u>	<u>1,444,317</u>
Total revenue	<u>7,609,042</u>	<u>7,262,398</u>	<u>14,610,203</u>	<u>13,906,422</u>	<u>22,218,745</u>	<u>21,168,820</u>
Expenses:						
General government	1,239,832	1,228,829	-	-	1,239,832	1,228,829
Public safety	2,689,126	2,953,261	-	-	2,689,126	2,953,261
Public works	619,779	872,757	-	-	619,779	872,757
Highways and streets	778,034	445,491	-	-	778,034	445,491
Health and welfare	578,735	581,107	-	-	578,735	581,107
Recreation and culture	550,392	573,844	-	-	550,392	573,844
Interest on long-term debt	391,799	478,856	-	-	391,799	478,856
Electric fund	-	-	9,608,078	8,856,995	9,608,078	8,856,995
Water fund	-	-	1,653,571	1,482,354	1,653,571	1,482,354
Sewer fund	-	-	1,571,794	1,390,204	1,571,794	1,390,204
Other enterprise funds	<u>-</u>	<u>-</u>	<u>851,490</u>	<u>783,930</u>	<u>851,490</u>	<u>783,930</u>
Total expenses	<u>6,847,697</u>	<u>7,134,145</u>	<u>13,684,933</u>	<u>12,513,483</u>	<u>20,532,630</u>	<u>19,647,628</u>
Transfers –						
Internal Activities	<u>659,850</u>	<u>503,775</u>	<u>(659,850)</u>	<u>(503,775)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,420,695	632,028	265,420	889,164	1,686,115	1,521,192
Net assets – beginning of year	<u>5,481,759</u>	<u>4,849,731</u>	<u>27,941,736</u>	<u>27,052,572</u>	<u>33,423,495</u>	<u>31,902,304</u>
Net assets – end of year	<u><b>\$ 6,902,454</b></u>	<u><b>\$ 5,481,759</b></u>	<u><b>\$ 28,207,156</b></u>	<u><b>\$ 27,941,736</b></u>	<u><b>\$ 35,109,610</b></u>	<u><b>\$ 33,423,495</b></u>

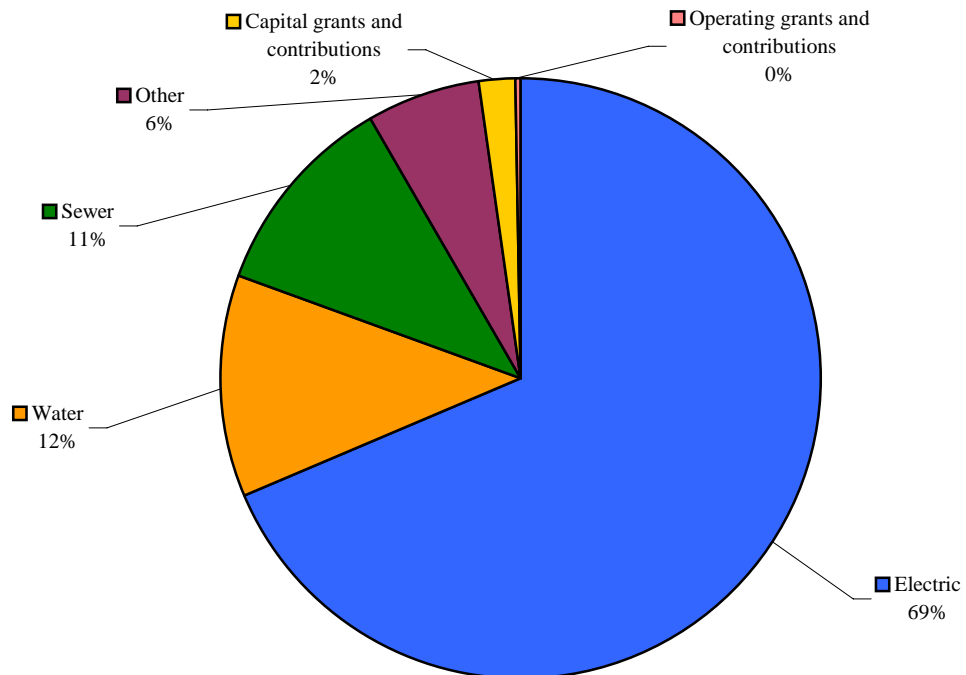
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## Revenues by Source - Governmental Activities



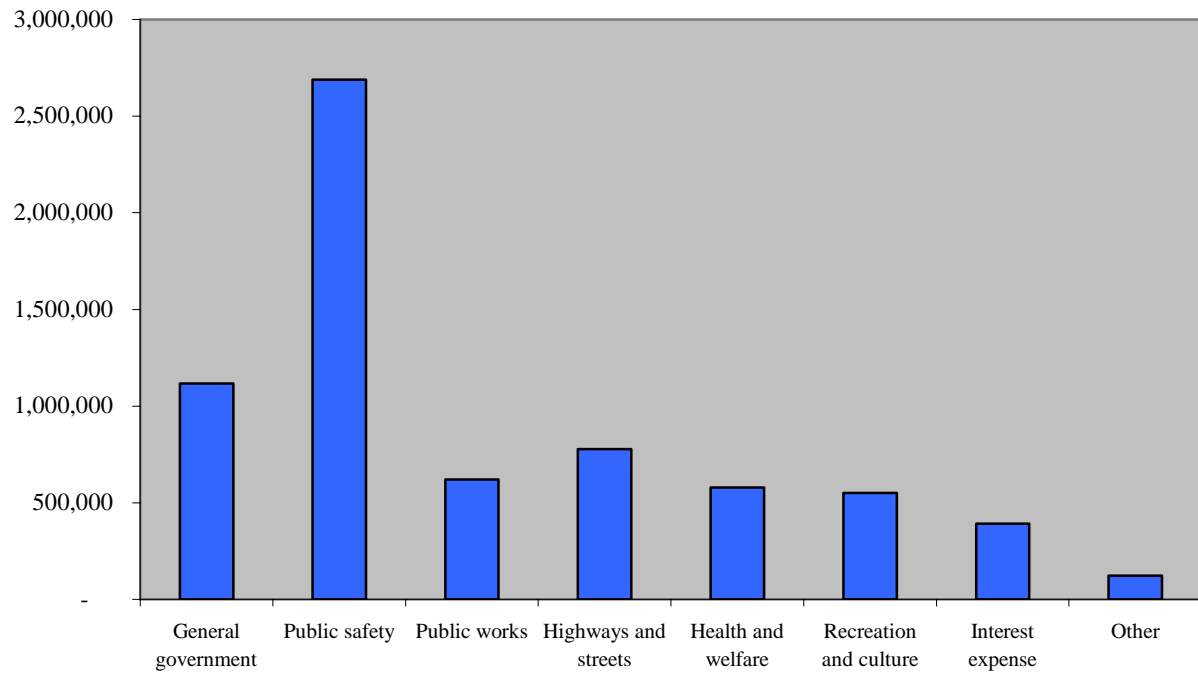
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## Revenues by Source – Business-type Activities



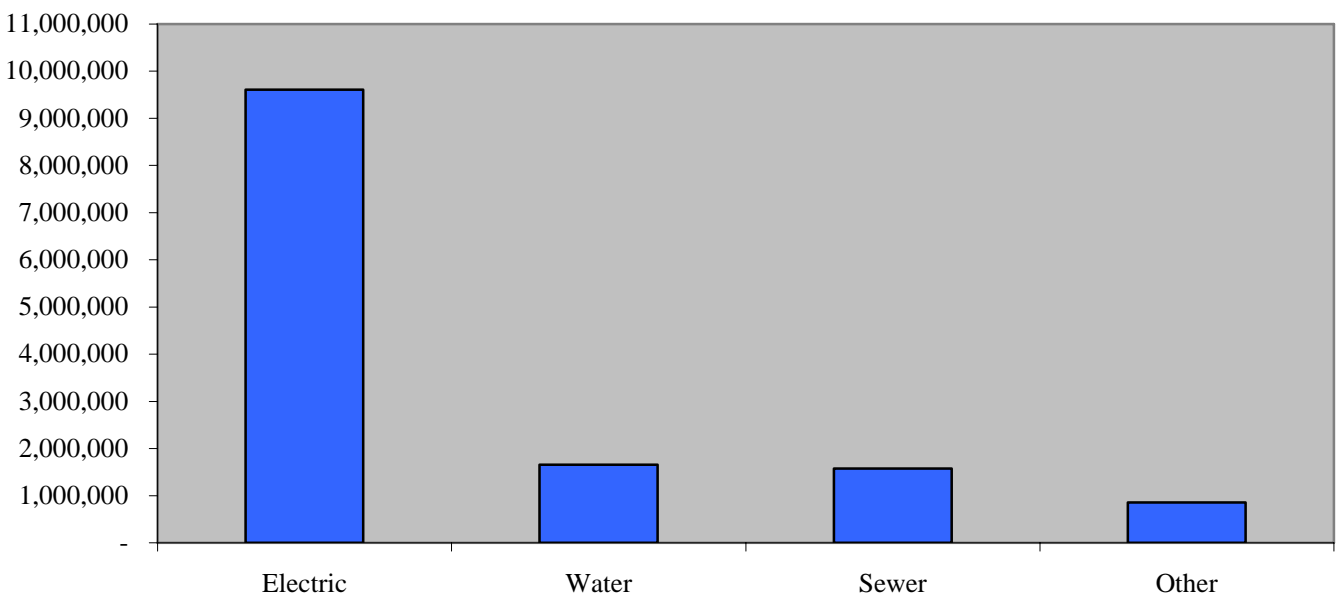
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## Expenses - Governmental Activities



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## Expenses – Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City of South Haven uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City of South Haven *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of South Haven financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

A surplus in the General Fund allowed money to be set aside for future capital projects. In addition, special assessment collections allowed repayment of governmental funds for previous construction projects. These factors resulted in an increase in Governmental Fund fund balances of \$370,846.

*Proprietary funds.* The City of South Haven proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary fund operations all resulted in an increase in net assets. Overall the net assets of the proprietary funds increased \$265,420.

## General Fund Budgetary Highlights

There are minimal differences between the original budget and the amended budget.

## Capital Asset and Debt Administration

### City of South Haven Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 359,490	\$ 359,490	\$ 23,062	\$ 23,062	\$ 382,552	\$ 382,552
Land improvements	503,644	626,889	2,115,162	2,256,195	2,883,084	2,883,084
Building, equipment, and infrastructure, net	<u>11,580,985</u>	<u>11,144,352</u>	<u>17,445,467</u>	<u>16,823,367</u>	<u>27,967,719</u>	<u>27,967,719</u>
<b>Total</b>	<b><u>\$ 12,444,119</u></b>	<b><u>\$ 12,130,731</u></b>	<b><u>\$ 19,584,141</u></b>	<b><u>\$ 19,102,624</u></b>	<b><u>\$ 31,233,355</u></b>	<b><u>\$ 31,233,355</u></b>

Additional information on the City of South Haven capital assets can be found in note 7 on pages 39-41 of this report.

## Long-Term Debt

<b>City of South Haven Outstanding Debt</b> General Obligation and Revenue Bonds					
	<b>Governmental</b> <b>Activities</b>		<b>Business-type</b> <b>Activities</b>		<b>Total</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	
General obligation bonds	\$ 9,250,000	\$ 9,705,000	\$ -	\$ -	\$ 9,250,000 \$ 9,705,000
Revenue bonds	-	-	1,685,000	1,700,000	1,685,000 1,700,000
Other debt	569,322	554,563	-	-	569,322 554,563
<b>Total</b>	<b><u>\$ 9,819,322</u></b>	<b><u>\$ 10,259,563</u></b>	<b><u>\$ 1,700,000</u></b>	<b><u>\$ 2,105,000</u></b>	<b><u>\$ 11,504,322</u></b> <b><u>\$ 11,959,563</u></b>

The City of South Haven's most recent general obligation bond issue had a rating of A from both Standard & Poor's and Fitch Rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the State Equalized Value. The current debt limitation for the City of South Haven is \$42,050,510.

Additional information on the City of South Haven long-term debt can be found in note 8 on pages 41-43 of this report.

## Economic Factors and Next Year's Budgets and Rates

The economic factors utilized to create the 2007 budget included continued strong growth in the taxable value of city property and level state funding after several years of decline. In addition, the 2007 budget identifies local street paving and public safety as high priorities.

## Requests for Information

This financial report is designed to provide a general overview of the City of South Haven finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marvin Hinga, Finance Director, 539 Phoenix Street, South Haven, Michigan 49090.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENTAL-WIDE FINANCIAL STATEMENTS**

# CITY OF SOUTH HAVEN

## Statement of Net Assets

June 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,779,076	\$ 5,513,623	\$ 7,292,699	\$ 2,300,983
Investments	1,487,431	1,534,648	3,022,079	100,000
Receivables	679,024	3,901,539	4,580,563	6,868
Prepaid items and other assets	110,678	752,374	863,052	216
Equity interest in SHAES	1,018,351	-	1,018,351	-
Restricted cash and cash equivalents	-	239,878	239,878	-
Restricted investments	-	530,433	530,433	-
Capital assets not being depreciated	359,490	23,062	382,552	191,453
Capital assets being depreciated, net	12,084,629	19,561,079	31,645,708	4,166,681
 Total assets	 17,518,679	 32,056,636	 49,575,315	 6,766,201
<b>Liabilities</b>				
Accounts payable and accrued expenses	696,903	1,808,830	2,505,733	1,062,216
Unearned revenue	-	249,614	249,614	-
Noncurrent liabilities:				
Due within one year	825,065	96,005	921,070	262,208
Due in more than one year	9,094,257	1,695,031	10,789,288	2,733,074
 Total liabilities	 10,616,225	 3,849,480	 14,465,705	 4,057,498
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,648,904	17,899,141	20,548,045	1,362,852
Restricted for:				
Debt service / bond retirement	-	770,311	770,311	-
Cemetery perpetual care - nonexpendable	132,245	-	132,245	-
Cemetery perpetual care - expendable	40,831	-	40,831	-
Other governmental programs	801,693	-	801,693	-
Unrestricted	3,278,781	9,537,704	12,816,485	1,345,851
 Total net assets	 \$ 6,902,454	 \$ 28,207,156	 \$ 35,109,610	 \$ 2,708,703

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 1,117,653	\$ 760,207	\$ 397,351	\$ -	\$ 39,905
Public safety	2,689,126	77,525	19,831	-	(2,591,770)
Public works	619,779	246,950	100	8,095	(364,634)
Highways and streets	778,034	466,114	251,028	-	(60,892)
Health and welfare	578,735	-	-	-	(578,735)
Recreation and culture	550,392	257,021	-	-	(293,371)
Interest expense	391,799	-	-	-	(391,799)
Other	122,179	-	-	-	(122,179)
Total governmental activities	<u>6,847,697</u>	<u>1,807,817</u>	<u>668,310</u>	<u>8,095</u>	<u>(4,363,475)</u>
Business-type activities:					
Electric	9,608,078	9,541,512	-	120,000	53,434
Water	1,653,571	1,186,093	-	59,437	(408,041)
Sewer	1,571,794	1,587,779	-	112,897	128,882
Other	851,490	814,882	22,500	-	(14,108)
Total business-type activities	<u>13,684,933</u>	<u>13,130,266</u>	<u>22,500</u>	<u>292,334</u>	<u>(239,833)</u>
Total primary government	<u>\$ 20,532,630</u>	<u>\$ 14,938,083</u>	<u>\$ 690,810</u>	<u>\$ 300,429</u>	<u>\$ (4,603,308)</u>
<b>Component units</b>					
Downtown Development Authority	\$ 1,168,292	\$ -	\$ 22,227	\$ -	\$ (1,146,065)
Local Development Finance Authority #1	341,672	-	20,013	-	(321,659)
Local Development Finance Authority #2	18,822	-	1,605	-	(17,217)
Local Development Finance Authority #3	110,057	-	188,530	-	78,473
Brownfield Redevelopment Authority	324,114	-	21,832	24,316	(277,966)
Total component units	<u>\$ 1,962,957</u>	<u>\$ -</u>	<u>\$ 254,207</u>	<u>\$ 24,316</u>	<u>\$ (1,684,434)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2006**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (4,363,475)	\$ (239,833)	\$ (4,603,308)	\$ (1,684,434)
General revenues:				
Property taxes	4,417,615	-	4,417,615	1,954,273
State revenues - unrestricted	497,039	-	497,039	-
Interest earnings	180,013	375,020	555,033	-
Other grants and contributions not restricted to specific programs	30,153	790,083	820,236	-
Transfers - internal activities	659,850	(659,850)	-	-
Total general revenues and transfers	5,784,170	505,253	6,289,423	1,954,273
Change in net assets	1,420,695	265,420	1,686,115	269,839
Net assets, beginning of year, as restated	5,481,759	27,941,736	33,423,495	2,438,864
<b>Net assets, end of year</b>	<u>\$ 6,902,454</u>	<u>\$ 28,207,156</u>	<u>\$ 35,109,610</u>	<u>\$ 2,708,703</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

# CITY OF SOUTH HAVEN

## Balance Sheet Governmental Funds June 30, 2006

	General Fund	Sewer Rehabilitation	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 130,130	\$ 468	\$ 1,001,387	\$ 1,131,985
Investments	1,317,239	-	170,192	1,487,431
Accounts receivable	22,690	-	57,526	80,216
Taxes receivable	33,790	-	7,165	40,955
Due from other funds	-	-	1,150,302	1,150,302
Due from other governmental units	133,845	-	180,962	314,807
Prepaid items	101,847	-	7,415	109,262
<b><u>TOTAL ASSETS</u></b>	<b>\$ 1,739,541</b>	<b>\$ 468</b>	<b>\$ 2,574,949</b>	<b>\$ 4,314,958</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 145,994	\$ -	\$ 202,114	\$ 348,108
Accrued expenses and other liabilities	80,119	-	9,213	89,332
Due to other governmental units	126,574	-	-	126,574
Due to other funds	-	1,033,000	117,302	1,150,302
Deferred revenue	33,790	-	62,168	95,958
Total liabilities	386,477	1,033,000	390,797	1,810,274
<b>Fund balances (deficit)</b>				
Reserved for:				
Prepaid items	101,847	-	7,415	109,262
Unreserved, undesignated	1,251,217	(1,032,532)	-	218,685
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	794,278	794,278
Debt service funds	-	-	52,257	52,257
Capital projects funds	-	-	1,157,126	1,157,126
Permanent fund	-	-	173,076	173,076
Total fund balances (deficit)	1,353,064	(1,032,532)	2,184,152	2,504,684
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 1,739,541</b>	<b>\$ 468</b>	<b>\$ 2,574,949</b>	<b>\$ 4,314,958</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Reconciliation of the Fund Balances on the Balance Sheet**  
**for Governmental Funds to the Net Assets of Governmental**  
**Activities on the Statement of Net Assets**  
**June 30, 2006**

Fund balances - total governmental funds	\$ 2,504,684
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - equity interest in SHAES	1,018,351
Add - capital assets not being depreciated	359,490
Add - capital assets being depreciated, net	11,368,017

Certain liabilities, such as bond payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(9,481,000)
Deduct - accrued interest on long-term debt	(61,568)
Deduct - compensated absences	(330,098)

Internal service funds provide services to governmental activities primarily and they are combined with the net assets of governmental activities.

Add - internal service fund net assets	1,428,620
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Certain revenues are not recognized because they are not measurable and available.

Add - deferred long-term receivables	<u>95,958</u>
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Net assets of governmental activities	<u><u>\$ 6,902,454</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Statement of Revenues, Expenditures, And**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Sewer Rehabilitation</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 3,747,758	\$ -	\$ 833,523	\$ 4,581,281
Licenses and permits	216,121	-	-	216,121
Intergovernmental revenues:				
Federal	9,454	-	-	9,454
State	564,709	-	434,101	998,810
Local	9,927	-	251,028	260,955
Charges for services	432,922	-	-	432,922
Fines and forfeitures	30,133	-	-	30,133
Interest and rental income	95,172	-	285,025	380,197
Other	349,192	-	322,647	671,839
Total revenues	5,455,388	-	2,126,324	7,581,712
<b>Expenditures</b>				
Current:				
General government	1,053,478	-	-	1,053,478
Public safety	2,667,782	-	202,479	2,870,261
Public works	567,144	-	-	567,144
Highway and streets	147,143	-	1,286,884	1,434,027
Health and welfare	425,697	-	431,592	857,289
Other	121,654	-	525	122,179
Debt service:				
Principal retirement	-	-	455,000	455,000
Interest and fiscal charges	-	-	408,703	408,703
Capital outlay	-	48,635	4,000	52,635
Total expenditures	4,982,898	48,635	2,789,183	7,820,716
Revenues over (under) expenditures	472,490	(48,635)	(662,859)	(239,004)
<b>Other financing sources (uses)</b>				
Transfers in	-	225,372	796,102	1,021,474
Transfers out	(337,119)	-	(74,505)	(411,624)
Total other financing sources (uses)	(337,119)	225,372	721,597	609,850
Net change in fund balances	135,371	176,737	58,738	370,846
Fund balances (deficit), beginning of year	1,217,693	(1,209,269)	2,125,414	2,133,838
<b>Fund balances (deficit), end of year</b>	<b>\$ 1,353,064</b>	<b>\$ (1,032,532)</b>	<b>\$ 2,184,152</b>	<b>\$ 2,504,684</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

Net change in fund balances - total governmental funds	\$ 370,846
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,256,183
Deduct - depreciation expense	(917,646)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	455,000
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Certain revenues are not recognized because they are not measurable and available.

Add - change in deferred long-term receivables	5,298
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - net income from internal service funds	62,889
Add - increase in equity in SHAES	171,396
Add - decrease accrued interest	23,264
Deduct - increase in the accrual for compensated absences	(6,535)

Change in net assets of governmental activities	<u><u>\$ 1,420,695</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Taxes	\$ 3,690,935	\$ 3,690,935	\$ 3,747,758	\$ 56,823
Licenses and permits	199,823	211,823	216,121	4,298
Intergovernmental revenues:				
Federal	-	7,500	9,454	1,954
State	503,760	571,430	564,709	(6,721)
Local	21,000	10,000	9,927	(73)
Charges for services	405,002	428,602	432,922	4,320
Fines and forfeitures	20,000	20,000	30,133	10,133
Interest and rentals	56,000	73,000	95,172	22,172
Other	288,405	309,203	349,192	39,989
<b>Total revenues</b>	<b>5,184,925</b>	<b>5,322,493</b>	<b>5,455,388</b>	<b>132,895</b>
<b>Expenditures</b>				
Current:				
General government	1,040,656	1,130,481	1,053,478	77,003
Public safety	2,663,247	2,702,441	2,667,782	34,659
Public works	564,285	667,635	567,144	100,491
Health and welfare	142,982	142,982	147,143	(4,161)
Recreation and culture	347,824	444,882	425,697	19,185
Other	131,312	131,312	121,654	9,658
<b>Total expenditures</b>	<b>4,890,306</b>	<b>5,219,733</b>	<b>4,982,898</b>	<b>236,835</b>
Revenues over (under) expenditures	294,619	102,760	472,490	369,730
<b>Other financing sources (uses)</b>				
Transfers (out)	(294,619)	(337,119)	(337,119)	-
Net change in fund balance	-	(234,359)	135,371	369,730
Fund balances, beginning of year	1,217,693	1,217,693	1,217,693	-
<b>Fund balances, end of year</b>	<b>\$ 1,217,693</b>	<b>\$ 983,334</b>	<b>\$ 1,353,064</b>	<b>\$ 369,730</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**

**Proprietary Funds  
Statement of Net Assets  
June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 3,221,349	\$ 1,092,118	\$ 140,828	\$ 1,059,328	\$ 5,513,623	\$ 647,091
Investments	1,499,648	-	-	35,000	1,534,648	-
Receivables:						
Special assessments receivable	-	570,813	784,154	-	1,354,967	-
Other	1,275,725	203,581	223,530	2,254	1,705,090	975
Due from other funds	-	-	-	53,000	53,000	-
Due from other governmental units	-	-	-	-	-	100,000
Inventory	476,956	60,919	5,371	-	543,246	-
Prepaid expenses	71,947	43,155	37,536	4,242	156,880	1,416
Restricted assets:						
Cash and cash equivalents	-	-	239,878	-	239,878	-
Investments	180,000	50,433	300,000	-	530,433	-
Total current assets	6,725,625	2,021,019	1,731,297	1,153,824	11,631,765	749,482
Non-current assets:						
Discount on bonds - net	45,237	7,011	-	-	52,248	-
Advances to component unit	715,726	-	-	125,756	841,482	142,071
Capital assets:						
Land	1,001	9,394	7,331	5,336	23,062	-
Land improvements	7,000	22,566	35,000	2,855,742	2,920,308	-
Buildings and improvements	2,650,877	4,109,130	3,717,399	102,749	10,580,155	-
Utility system	8,354,592	7,608,800	6,494,254	-	22,457,646	-
Vehicles	-	-	-	-	-	1,768,277
Machinery and equipment	272,501	414,997	360,886	19,680	1,068,064	647,567
Less: accumulated depreciation	(3,947,301)	(6,806,597)	(5,909,635)	(801,561)	(17,465,094)	(1,699,232)
Total non-current assets	8,099,633	5,365,301	4,705,235	2,307,702	20,477,871	858,683
Total assets	14,825,258	7,386,320	6,436,532	3,461,526	32,109,636	1,608,165
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	1,086,186	246,045	162,794	21,864	1,516,889	38,002
Accrued expenses and other liabilities	87,016	20,941	12,359	12,371	132,687	33,319
Due to other funds	-	-	-	53,000	53,000	-
Due to other governmental units	-	3,341	-	-	3,341	-
Customer deposits payable	155,913	-	-	-	155,913	-
Unearned revenue	-	-	-	249,614	249,614	-
Current portion of compensated absences	37,470	19,541	18,075	919	76,005	5,350
Current portion of bonds payable	-	20,000	-	-	20,000	100,000
Total current liabilities	1,366,585	309,868	193,228	337,768	2,207,449	176,671
Noncurrent liabilities:						
Compensated absences	14,805	7,721	7,142	363	30,031	2,874
Long-term debt - net of current portion	1,290,000	375,000	-	-	1,665,000	-
Total noncurrent liabilities	1,304,805	382,721	7,142	363	1,695,031	2,874
Total liabilities	2,671,390	692,589	200,370	338,131	3,902,480	179,545
<b>Net assets</b>						
Invested in capital assets, net of related debt	6,048,670	4,963,290	4,705,235	2,181,946	17,899,141	616,612
Restricted for revenue bond retirement	180,000	50,433	539,878	-	770,311	-
Unrestricted	5,925,198	1,680,008	991,049	941,449	9,537,704	812,008
Total net assets	\$ 12,153,868	\$ 6,693,731	\$ 6,236,162	\$ 3,123,395	\$ 28,207,156	\$ 1,428,620

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Proprietary Funds**  
**Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**For the Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Operating revenues</b>						
Charges for services	\$ 9,541,512	\$ 1,186,093	\$ 1,587,779	\$ 183,590	\$ 12,498,974	\$ 971,624
Special assessments	-	59,437	73,299	-	132,736	-
Dock rental	-	-	-	618,230	618,230	-
Other	176,606	128,208	144,590	24,240	473,644	18,980
Total operating revenues	9,718,118	1,373,738	1,805,668	826,060	13,723,584	990,604
<b>Operating expenses</b>						
Operating costs and expenses	8,839,810	1,395,603	1,304,883	665,115	12,205,411	798,623
Property tax equivalents	480,000	70,420	78,520	40,613	669,553	-
Depreciation	219,583	169,447	168,548	146,435	704,013	195,263
Total operating expenses	9,539,393	1,635,470	1,551,951	852,163	13,578,977	993,886
Operating income (loss)	178,725	(261,732)	253,717	(26,103)	144,607	(3,282)
<b>Non-operating revenues (expenses)</b>						
Interest income	201,229	73,742	53,131	64,420	392,522	22,032
Other non-operating expense	-	(7,252)	(9,450)	-	(16,702)	-
Interest and fiscal charges	(68,685)	(20,569)	-	-	(89,254)	(5,861)
Total non-operating revenues (expenses)	132,544	45,921	43,681	64,420	286,566	16,171
Net income before contributions and transfers	311,269	(215,811)	297,398	38,317	431,173	12,889
<b>Capital contributions</b>	318,898	184,586	(9,387)	-	494,097	-
<b>Transfers in (out)</b>						
Transfers in	-	-	-	-	-	50,000
Transfers (out)	(217,250)	(98,238)	(327,134)	(17,228)	(659,850)	-
Total transfers	(217,250)	(98,238)	(327,134)	(17,228)	(659,850)	50,000
Change in net assets	412,917	(129,463)	(39,123)	21,089	265,420	62,889
Net assets, beginning of year	11,740,951	6,823,194	6,275,285	3,102,306	27,941,736	1,365,731
<b>Net assets, end of year</b>	<u>\$ 12,153,868</u>	<u>\$ 6,693,731</u>	<u>\$ 6,236,162</u>	<u>\$ 3,123,395</u>	<u>\$ 28,207,156</u>	<u>\$ 1,428,620</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 9,687,085	\$ 1,384,026	\$ 1,853,281	\$ 909,436	\$ 13,833,828	\$ -
Internal charges	-	-	-	-	-	1,091,579
Cash payments to suppliers for goods and services	(8,526,617)	(858,831)	(962,937)	(529,041)	(10,877,426)	(477,955)
Cash payments to employees for services	(783,835)	(505,878)	(443,703)	(215,555)	(1,948,971)	(320,009)
Net cash provided by (used in) operating activities	376,633	19,317	446,641	164,840	1,007,431	293,615
<b>Cash flows from noncapital financing activities</b>						
Advance to component units	(289,345)	-	-	29,610	(259,735)	29,124
Transfers in	-	-	-	-	-	50,000
Transfers out	(217,250)	(98,238)	(327,134)	(17,228)	(659,850)	-
Other cash disbursements	-	(7,252)	(9,450)	-	(16,702)	-
Net cash provided by (used in) noncapital financing activities	(506,595)	(105,490)	(336,584)	12,382	(936,287)	79,124
<b>Cash flows from capital and related financing activities</b>						
Capital contributions	318,898	184,586	(9,387)	-	494,097	-
Collections on special assessments	-	46,166	53,288	-	99,454	-
Purchase of capital assets	(383,682)	(31,703)	(770,146)	-	(1,185,531)	(124,589)
Principal paid on long-term debt	-	(15,000)	-	-	(15,000)	(100,000)
Discount on bonds	4,450	470	-	-	4,920	-
Interest and fiscal charges paid	(68,685)	(20,569)	-	-	(89,254)	(5,861)
Net cash provided by (used in) capital and related financing activities	(129,019)	163,950	(726,245)	-	(691,314)	(230,450)
<b>Cash flows from investing activities</b>						
Interest income	201,229	73,742	53,131	64,420	392,522	22,032
Purchase of investments	(1,679,648)	(50,433)	(300,000)	(35,000)	(2,065,081)	-
Sale of investments	1,878,277	48,494	206,356	37,160	2,170,287	-
Net cash provided by (used in) investing activities	399,858	71,803	(40,513)	66,580	497,728	22,032
Net increase (decrease) in cash and cash equivalents	140,877	149,580	(656,701)	243,802	(122,442)	164,321
<b>Cash and cash equivalents,</b>						
Beginning of year	3,080,472	942,538	1,037,407	815,526	5,875,943	482,770
End of year	\$ 3,221,349	\$ 1,092,118	\$ 380,706	\$ 1,059,328	\$ 5,753,501	\$ 647,091
<b>Reconciliation to Statement of Net Assets</b>						
Cash and cash equivalents	\$ 3,221,349	\$ 1,092,118	\$ 140,828	\$ 1,059,328	\$ 5,513,623	\$ 647,091
Cash and cash equivalents - restricted	-	-	239,878	-	239,878	-
Total cash and cash equivalents	\$ 3,221,349	\$ 1,092,118	\$ 380,706	\$ 1,059,328	\$ 5,753,501	\$ 647,091

**CITY OF SOUTH HAVEN**  
**Proprietary Funds**  
**Statement of Cash Flows (Concluded)**  
**For the Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>	
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>							
Operating income (loss)	\$ 178,725	\$ (261,732)	\$ 253,717	\$ (26,103)	\$ 144,607	\$ (3,282)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	219,583	169,447	168,548	146,435	704,013	195,263	
Changes in operating assets and liabilities which provided (used) cash:							
Receivables	(31,033)	10,288	47,613	3,046	29,914	975	
Due from other funds	-	-	-	33,000	33,000	-	
Due from other governmental units	-	-	-	-	-	100,000	
Inventory	(91,542)	16,669	(840)	-	(75,713)	-	
Prepaid expenses	(6,141)	(2,982)	(2,267)	1,295	(10,095)	2,237	
Accounts payable	55,441	97,348	(16,555)	(7,714)	128,520	(30,407)	
Accrued expenses and other liabilities	(5,419)	(23,573)	(28,792)	(731)	(58,515)	20,605	
Due to other funds	-	-	-	(33,000)	(33,000)	-	
Due to other governmental units	-	(13,410)	-	-	(13,410)	-	
Customer deposits	4,744	-	-	-	4,744	-	
Unearned revenue	-	-	-	47,330	47,330	-	
Compensated absences	52,275	27,262	25,217	1,282	106,036	8,224	
Net cash provided by (used in) operating activities	\$ 376,633	\$ 19,317	\$ 446,641	\$ 164,840	\$ 1,007,431	\$ 293,615	

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**June 30, 2006**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 200,080
Investments	<u>234,406</u>
Total assets	<u><u>\$ 434,486</u></u>
 <b>Liabilities</b>	
Deposits	\$ 358,828
Accounts payable	45,608
Due to other governments	<u>30,050</u>
Total liabilities	<u><u>\$ 434,486</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SOUTH HAVEN**  
**Component Units**  
**Combining Statement of Net Assets**  
**June 30, 2006**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority #1</b>	<b>Local Development Finance Authority #2</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 22,515	\$ 736,869	\$ 29,707
Investments	-	50,000	50,000
Accounts receivable	118	231	231
Due from other component units	-	300,000	-
Prepaid expenses	-	59	-
Capital assets not being depreciated	-	-	55,373
Capital assets being depreciated, net	4,166,681	-	-
	<hr/>	<hr/>	<hr/>
Total assets	4,189,314	1,087,159	135,311
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts payable	40,354	20	-
Accrued liabilities	19,929	543	-
Due to other component units	-	-	-
Advances from primary government	983,553	-	-
Long-term debt:			
Due within one year	235,000	-	-
Due in more than one year	2,495,000	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	3,773,836	563	-
	<hr/>	<hr/>	<hr/>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,436,681	-	55,373
Unrestricted (deficit)	(1,021,203)	1,086,596	79,938
	<hr/>	<hr/>	<hr/>
Total net assets (deficit)	\$ 415,478	\$ 1,086,596	\$ 135,311
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

<b>Local Development Finance Authority #3</b>	<b>Brownfield Redevelopment Authority</b>	<b>Total</b>
\$ 539,204	\$ 972,688	\$ 2,300,983
-	-	100,000
5,735	671	6,986
-	-	300,000
39	-	98
136,080	-	191,453
-	-	4,166,681
681,058	973,359	7,066,201
13,588	3,867	57,829
362	-	20,834
300,000	-	300,000
-	-	983,553
27,208	-	262,208
238,074	-	2,733,074
579,232	3,867	4,357,498
(129,202)	-	1,362,852
231,028	969,492	1,345,851
\$ 101,826	\$ 969,492	\$ 2,708,703

**CITY OF SOUTH HAVEN**  
**Component Units**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2006**

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority #1</b>	<b>Local Development Finance Authority #2</b>
<b>Expenditures</b>			
Community development	\$ 1,017,621	\$ 341,672	\$ 18,822
Debt service:			
Interest and fiscal charges	150,671	-	-
Total expenditures	1,168,292	341,672	18,822
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions	22,227	20,013	1,605
General revenues:			
Property taxes	949,819	434,939	28,606
Total revenues	972,046	454,952	30,211
Change in net assets	(196,246)	113,280	11,389
Net assets (deficit), beginning of year, as restated	611,724	973,316	123,922
<b>Net assets (deficit), end of year</b>	<b>\$ 415,478</b>	<b>\$ 1,086,596</b>	<b>\$ 135,311</b>

The accompanying notes are an integral part of these financial statements.

<b>Local Development Finance Authority #3</b>	<b>Brownfield Redevelopment Authority</b>	<b>Total</b>
\$ 110,057	\$ 324,114	\$ 1,812,286
-	-	150,671
110,057	324,114	1,962,957
188,530	46,148	278,523
250,518	290,391	1,954,273
439,048	336,539	2,232,796
328,991	12,425	269,839
(227,165)	957,067	2,438,864
\$ 101,826	\$ 969,492	\$ 2,708,703

## **NOTES TO FINANCIAL STATEMENTS**

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of South Haven (the "City") conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

#### **Reporting Entity**

The City is governed by an elected mayor and six member council. As required by generally accepted accounting principles, these financial statements present the City of South Haven and its component units. The individual component units discussed below are included in the City's reporting entity because they are entities for which the government is considered to be financially accountable.

#### **Blended Component Unit**

The Building Authority is governed by a Board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

#### **Discrete Component Units**

The following component units are reported within the component units column and rows in the government-wide financial statements. These component units provide services to the businesses located within the various districts. They are reported in a separate column to emphasize that they are legally separate from the City. Separate financial statements of these component units have not been issued.

- a. The Downtown Development Authority was created to correct and prevent deterioration in the Downtown district, encourage historical preservation and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is appointed by the City's Mayor and confirmed by City Council. In addition, the Authority's budget is subject to approval by the City Council.
- b. The three Local Development Finance Authorities were created to develop a program of ongoing industrial development, retention and expansion, reclamation of vacant industrial buildings and sites, environmental corrections, industrial park expansion, infrastructure improvements, as well as industrial and community promotion. The LDFA's governing bodies, which consists of ten members, are composed of seven members selected by the City Council, two members selected by the South Haven School Board, and one member selected by Van Buren County. In addition, the LDFA's budgets are subject to approval by the City Council.
- c. The Brownfield Redevelopment Authority accounts for "captured" tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfields requiring site reclamation. These revenues are used to reimburse property owners for expenses incurred for brownfield cleanup. The City Council appoints the governing body of the Authority and approves the Authority's budget.

The City's officials are also responsible for appointing members to the Board of the South Haven Memorial Library, but the City's accountability for this organization does not extend beyond making these appointments. The City Council appoints five of the voting board members. The Library Board is made up of a total of seven voting board members.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City's primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the County pays the City for, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for debt service and compensated absences are recorded only when payment is due.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Sewer Rehabilitation Capital Projects Fund* is used to account for resources of the building authority being used for capital maintenance of the City's sewer system.

The City reports the following major proprietary funds:

The *Electric Enterprise Fund* accounts for the provision of electric services to the residences and businesses of the City and surrounding area. Activities necessary to provide such services include, but are not limited to, sales, administration, operations, maintenance and construction.

The *Water Enterprise Fund* accounts for the provision of water services to the residences and businesses of the City and the surrounding area. Activities necessary to provide such services include, but are not limited to, sales, administration, operations, maintenance and construction.

The *Sewer Enterprise Fund* accounts for the provision of sewer services to the residences, and businesses of the City and surrounding area. Activities necessary to provide services include, but are not limited to, sales, administration, operations, maintenance and construction.

Additionally, the City reports the following fund types:

### **Governmental Funds**

The *Special Revenue Funds* are used to account for revenue from specific revenue sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Funds* are used to account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The *Capital Projects Funds* are used to account for the accumulation of resources and disbursements for construction projects of governmental funds.

The *Permanent Fund* is used to record the activity of the Cemetery Trust which provides funds for perpetual care of cemetery lots.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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### **Proprietary Funds**

*Enterprise Funds* are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

*Internal Service Funds* are used to account for data processing, motor pool equipment purchases, and insurance coverage provided to City departments on a cost reimbursement basis. The City is the primary participant in internal service fund activities.

### **Fiduciary Funds**

*Agency Funds* are used to account for assets held on behalf of outside parties, including other governments, and include payroll tax collections, current tax collections, and trust and agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment utilization and information services. Operating expenses for the enterprise fund include depreciation on capital assets, administration, operations and maintenance. Operating expenses for the internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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### **Property Taxes**

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before September 19. Winter taxes are levied on December 1 and are due without penalty on or before February 14. The City bills and collects its own property taxes. Collections of property taxes and remittances for the state education fund and local school districts are accounted for in the Agency Funds.

### **Restricted Assets**

Certain resources set aside for repayment of enterprise fund debt and balances required by bond covenants, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

### **Investments**

Investments are stated at fair value at the balance sheet date.

### **Receivables**

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### **Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

General Fund	
Property taxes receivable	\$ 33,790
Nonmajor Funds	
Property taxes receivable	7,166
Long-term receivables, not expected to be collected within one year	55,002
	<hr/>
<b>Total deferred revenues</b>	<b><u>\$ 95,958</u></b>

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items purchased or constructed since the 1940's), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City did not capitalize any interest on construction in enterprise funds during the fiscal year ended June 30, 2006.

Depreciation on capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	40
Office furniture and equipment	3-5
Vehicles	5-10
Public domain infrastructure	40
System infrastructure	20

### Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value.

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Interfund Transactions**

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions are reported as transfers.

## **2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

### **Budgets and Budgetary Accounting**

Budgets are legally adopted for the General, Special Revenue Funds and Debt Service Funds on the modified accrual basis of accounting. Management can transfer appropriations within each fund without seeking Council approvals. Any amendments which increase total appropriations for a fund must have Council approval. Supplemental appropriations were necessary during the year. Appropriations lapse at year end.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the legal level of budgetary control.

During the year ended June 30, 2006, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the following funds:

	<b><u>Amended Budget</u></b>	<b><u>Actual</u></b>	<b><u>Over Budget</u></b>
<b>General fund</b>			
Health and welfare	\$ 142,982	\$ 147,143	\$ (4,161)

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

### 3. DEFICIT FUND EQUITY

At June 30, 2006 the City had deficit fund balances in certain funds as follows:

Sewer Rehabilitation Capital Projects Fund	\$1,032,532
Non-major Governmental Funds:	
Site Reclamation	2,424

Management plans to eliminate the deficits through transfers from other funds and the recognition of revenues in excess of expenditures in subsequent years. The City filed a deficit elimination plan with the State of Michigan in March of 2006.

### 4. CASH EQUIVALENTS AND INVESTMENTS

The captions on the government-wide and fund statements relating to cash and cash equivalents and deposits are as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,978,053	\$2,300,983	\$200,080	\$ 9,479,116
Investments	3,202,079	100,000	234,406	3,536,485
Restricted cash & cash equivalents	239,878	-	-	239,878
Restricted investments	665,079	-	-	665,079
<b>Totals</b>	<b><u>\$11,085,089</u></b>	<b><u>\$2,400,983</u></b>	<b><u>\$434,486</u></b>	<b><u>\$13,920,558</u></b>

These deposits and investments are located in fourteen (14) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at cost. Interest is recorded when earned.

Cash and investments are composed of the following at June 30, 2006:

Checking/Savings Accounts	\$ 4,576,245
Certificates of deposit	6,419,938
Money markets accounts	19,588
Investment	2,901,948
Petty cash	2,838
<b>Total cash and cash equivalents</b>	<b><u>\$13,920,558</u></b>

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

***Custodial Credit Risk – Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$9,779,663 of the City's bank balance of \$11,153,932 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### Investments

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments:

	<b>Maturity</b>	<b>Fair Value</b>	<b>Rating</b>
Daimler-Chrysler Commercial Paper	7/5/2006	\$ 312,444	A2P2
Daimler-Chrysler Commercial Paper	7/28/2006	293,704	A2P2
Federal Home Loan Bank	Callable 8/15/2006 Matures 8/15/2008	100,000	*
Federal Home Loan Bank	Callable 9/30/2006 Matures 6/30/2008	200,000	*
Federal Home Loan Bank	Callable 7/7/2006 Matures 10/7/2008	100,000	*
Federal Home Loan Bank	Callable 7/29/2006 Matures 4/29/2010	199,500	*
Federal Home Loan Bank	Callable 8/18/2006 Matures 11/18/2006	20,000	*
Federal Home Loan Mortgage Corporation	Callable 7/15/2006 Matures 10/15/2009	15,000	*
Federal Home Loan Bank	Callable 6/27/2006 Matures 10/30/2018	100,000	*
Federal Home Loan Bank	Matures 12/12/2008	50,000	*
Federal Home Loan Bank	Callable 7/30/2006 Matures 7/30/2007	100,000	*
Federal National Mortgage Association	Matures 9/29/2010	24,300	*
Federal Home Loan Bank	Callable 7/15/2006 Matures 7/15/2011	125,000	*
Federal National Mortgage Association	Callable 7/27/2006 Matures 4/24/2016	138,000	*
Federal Home Loan Bank	Callable 7/12/2006 Matures 4/12/2010	100,000	*
Federal Home Loan Bank	Callable 4/15/2006 Matures 4/15/2018	100,000	*
Federal Home Loan Bank	Callable 7/23/2006 Matures 7/23/2018	600,000	*
Federal Home Loan Bank	Callable 11/8/2007 Matures 5/8/2018	90,000	*
Federal Home Loan Mortgage Corporation	Callable 9/13/2006 Matures 9/13/2009	125,000	*
Genesee County DTANS	n/a	100,000	AAA
		<b>\$ 2,901,948</b>	

\* Denotes that investment is backed or sponsored by the U.S. government and no rating is required to be presented.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

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The above investments do not include certificates of deposit.

### ***Investment and Deposit Risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified under “statutory authority” below. The City’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of the City’s specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in “statutory authority” below. The City’s investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. At year end, the City was not exposed to custodial credit risk, as all investments are held in the name of the City.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk. The City’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

### ***Statutory Authority***

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

### 5. INTERFUND RECEIVABLES AND PAYABLES

The following are the interfund receivables and payables at June 30, 2006:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental Funds:</b>		
Sewer Rehabilitation	\$ -	\$1,033,000
Non-major governmental funds	<u>1,150,302</u>	<u>117,302</u>
<b>Total Governmental Funds</b>	<u><b>1,150,302</b></u>	<u><b>1,150,302</b></u>
<b>Enterprise Funds:</b>		
Non-major enterprise funds	<u>53,000</u>	<u>53,000</u>
<b>Total Non-major Enterprise Funds</b>	<u><b>53,000</b></u>	<u><b>53,000</b></u>
<b>TOTAL</b>	<u><b>\$1,203,302</b></u>	<u><b>\$1,203,302</b></u>

Due from/to balances reflect cash transfers primarily made to provide operating liquidity due to timing differences of revenues and expenditures.

### 6. LONG-TERM ADVANCES AND INTERFUND TRANSFERS

The following amounts are interfund advances of a long-term nature between the primary government and component unit:

	<u>Advances To Component Units</u>	<u>Advances From Primary Government</u>
<b>Primary Government</b>		
Enterprise Funds:		
Electric	\$ 715,726	\$ -
Municipal Marina	125,756	-
Internal Service Fund		
Motor Pool	142,071	-
Component Units		
Downtown Development Authority	<u>-</u>	<u>983,553</u>
<b>Total</b>	<u><b>\$ 983,553</b></u>	<u><b>\$ 983,553</b></u>

Advances to/from Component Units reflect long term cash transfers due to improvements made now that will be funded by tax collections in future years.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

Interfund Transfers within the Primary Government are as follows:

	<u>In</u>	<u>Out</u>
Governmental Funds:		
General Fund	\$ -	\$ 337,119
Sewer Rehabilitation	-	-
Non-major governmental funds	1,021,474	74,505
Enterprise Funds:		
Electric Fund	-	217,250
Water Fund	-	98,238
Sewer Fund	-	327,134
Non-major enterprise funds	50,000	17,228
<b>Total</b>	<b><u>\$1,071,474</u></b>	<b><u>\$1,071,474</u></b>

### 7. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2006</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 359,490	\$ -	\$ -	\$ 359,490
Capital assets, being depreciated:				
Land improvements	2,497,072	-	-	2,497,072
Buildings and improvements	1,498,257	-	-	1,498,257
Machinery and equipment	2,936,874	172,781	61,538	3,048,117
Infrastructure	23,604,385	1,207,991	-	24,812,376
Total capital assets being depreciated	<u>30,536,588</u>	<u>1,380,772</u>	<u>61,538</u>	<u>31,855,822</u>
Less accumulated depreciation for:				
Land improvements	1,870,183	123,245	-	1,993,428
Buildings and improvements	905,244	45,820	-	951,064
Machinery and equipment	2,076,636	305,378	61,538	2,320,476
Infrastructure	13,867,759	638,466	-	14,506,225
Total accumulated depreciation	<u>18,719,822</u>	<u>1,112,909</u>	<u>61,538</u>	<u>19,771,193</u>
Total capital assets, being depreciated, net	<u><b>11,816,766</b></u>	<u><b>267,863</b></u>	<u>-</u>	<u><b>12,084,629</b></u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 12,176,256</b></u>	<u><b>\$ 267,863</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 12,444,119</b></u>

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

	Balance June 30, 2006	Additions	Disposals	Balance June 30, 2006
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 23,062	\$ -	\$ -	\$ 23,062
Capital assets, being depreciated:				
Land improvements	2,920,308	-	-	2,920,308
Buildings and improvements	10,557,143	23,012	-	10,580,155
Utility system	21,326,829	1,130,816	-	22,457,645
Machinery and equipment	1,037,611	31,703	-	1,069,314
Total capital assets, being depreciated	35,841,891	1,185,531	-	37,027,422
Less accumulated depreciation for:				
Land improvements	664,113	140,583	-	804,696
Buildings and improvements	4,474,309	202,060	-	4,676,369
Utility system	10,991,380	315,002	-	11,306,382
Machinery and equipment	632,527	46,369	-	678,896
Total accumulated depreciation	16,762,329	704,014	-	17,466,343
Total capital assets, being depreciated, net	19,079,562	481,517	-	19,561,079
<b>Business-type activities capital assets, net</b>	<b>\$ 19,102,624</b>	<b>\$ 481,517</b>	<b>\$ -</b>	<b>\$ 19,584,141</b>
<b>Component Units - Downtown Development Authority:</b>				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets, being depreciated:				
Land improvements	54,334	-	-	54,334
Buildings and improvements	4,496,914	-	-	4,496,914
Infrastructure	611,115	-	-	611,115
Total capital assets, being depreciated	5,162,363	-	-	5,162,363
Less accumulated depreciation for:				
Land improvements	42,653	2,717	-	45,370
Buildings and improvements	776,777	112,423	-	889,200
Infrastructure	30,556	30,556	-	61,112
Total accumulated depreciation	849,986	145,696	-	995,682
Total capital assets, being depreciated, net	4,312,377	(145,696)	-	4,166,681
<b>Downtown Development Authority capital assets, net</b>	<b>\$ 4,312,377</b>	<b>\$ (145,696)</b>	<b>\$ -</b>	<b>\$ 4,166,681</b>
<b>Component Units - Local Development Finance Authority #2:</b>				
Capital assets, not being depreciated:				
Land	\$ 55,373	\$ -	\$ -	\$ 55,373
<b>Component Units - Local Development Finance Authority #3:</b>				
Capital assets, not being depreciated:				
Land	\$ 136,080	\$ -	\$ -	\$ 136,080

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

Depreciation expenses were charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 69,748
Public safety	219,326
Highways and streets	699,140
Recreation and culture	<u>124,695</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$1,112,909</u></b>
<b>Business-type activities:</b>	
Electric	\$ 219,583
Water	169,448
Sewer	168,548
Black River Park	49,176
Marina	<u>97,259</u>
<b>Total depreciation expense business type activities</b>	<b><u>\$ 704,014</u></b>

### 8. LONG-TERM DEBT

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
<b>Governmental Activities</b>					
<b>General Obligation Debt :</b>					
\$1,895,000, 1996 Building Authority Bonds, (refinanced) due in annual installments of \$95,000 to \$245,000 through June 2010, including interest at 4.10% and 5.40%.	\$1,005,000	\$ -	\$155,000	\$ 850,000	\$205,000
\$3,700,000, Building Authority Bonds, Series 2001 (Limited Tax General Obligation), due in annual installments of \$125,000 to \$275,000 through November 2021, including interest at 3.25% and 4.50%.	3,310,000	-	140,000	3,170,000	140,000
\$5,800,000 Limited tax general obligation series capital improvement bonds due in annual installments of \$150,000 to \$380,000 through May 2027 including interest at 2.5% to 4.625%	5,390,000	-	160,000	5,230,000	160,000
\$231,000, DEQ Brownfield loan, due in annual Installments through April 2019, including Interest at 2.0%, beginning in 2010	231,000	-	-	231,000	-

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
<b>Installment purchase Agreement:</b>					
\$500,000 Motor Pool Installment Purchase Contract Fire Truck, payable through April 1, 2007 in semi- annual installments of \$50,000 including interest at 3.9%.	\$ 200,000	\$ -	\$100,000	\$ 100,000	\$100,000
<b>Subtotal - Installment Debt</b>	<b>10,136,000</b>	<b>-</b>	<b>555,000</b>	<b>9,581,000</b>	<b>605,000</b>
Compensated Absences	330,591	230,364	222,633	338,322	220,065
<b>Total Governmental Activities</b>	<b>10,446,591</b>	<b>230,364</b>	<b>777,633</b>	<b>9,919,322</b>	<b>825,065</b>
<b>Business-type Activities</b>					
\$2,200,000 Electric Utility System Revenue Bonds series 1996, due in annual installments of \$65,000 to \$180,000 through September 2016, interest at 4.25% to 7.25%.	\$ 1,290,000	\$ -	\$ -	\$1,290,000	\$ -
\$470,000 Water System Supply Revenue Bonds, series 2001, due in semi-annual installments of \$15,000 to \$35,000 through April 2021, interest at 3.8% to 5.35%.	410,000	-	15,000	395,000	20,000
<b>Subtotal - Installment Debt</b>	<b>1,700,000</b>	<b>-</b>	<b>15,000</b>	<b>1,685,000</b>	<b>20,000</b>
Accumulated employee benefits	105,107	70,539	69,610	106,036	76,005
<b>Total Business-type Activities</b>	<b>\$ 1,805,107</b>	<b>\$ 70,539</b>	<b>\$84,610</b>	<b>\$1,791,036</b>	<b>\$ 96,005</b>
<b>Component Unit – Downtown Development Authority:</b>					
\$3,395,000, Tax Increment Refunding Bonds, Series 2001 (Limited Tax General Obligation), due in Annual installments of \$100,000 to \$360,000 through May 2015, including interest at 3.25% to 4.50%.	<b>\$ 2,940,000</b>	<b>\$ -</b>	<b>\$210,000</b>	<b>\$2,730,000</b>	<b>\$235,000</b>
<b>Component Unit – Local Development Finance Authority #3:</b>					
\$350,000, 2004 MEDC/CDBG Loan Repayment, due April 2016, non-interest bearing.	<b>\$ 292,490</b>	<b>\$ -</b>	<b>\$ 27,208</b>	<b>\$ 265,082</b>	<b>\$ 27,208</b>

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all debt outstanding as of June 30, 2006 (excluding compensated absences) are as follows:

Year Ending June 30,	Primary Government			
	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 605,000	\$ 394,678	\$ 20,000	\$ 83,873
2008	510,000	372,310	20,000	83,033
2009	525,000	352,007	130,000	79,258
2010	610,212	330,478	140,000	72,223
2011	371,096	309,214	20,000	16,158
2012-2016	2,091,982	1,319,668	870,000	240,515
2017-2021	2,557,710	844,276	485,000	33,494
2022-2016	1,930,000	330,311	-	-
2027	380,000	17,575	-	-
<b>Total</b>	<b>\$ 9,581,000</b>	<b>\$ 4,270,517</b>	<b>\$ 1,685,000</b>	<b>\$ 608,554</b>

Year Ending June 30,	Component Units			
	Downtown Development Authority		Local Development Finance Authority #3	
	Principal	Interest	Principal	Interest
2007	\$ 235,000	\$ 114,018	\$ 27,208	\$ -
2008	270,000	105,558	27,208	-
2009	280,000	95,298	27,208	-
2010	290,000	84,098	27,208	-
2011	305,000	72,498	27,208	-
2012-2016	1,350,000	155,243	129,242	-
<b>Total</b>	<b>\$ 2,730,000</b>	<b>\$ 626,713</b>	<b>\$ 265,282</b>	<b>\$ -</b>

The compensated absences represent the estimated liability to be paid to governmental fund type employees under the City's sick and vacation pay policy, net of the portion that has matured. The long-term portion of accrued sick pay is funded by the City's Employees' Retirement Sick Leave Special Revenue Fund. Under the City's policy, employees earn sick and vacation time based on time of service with the City. For governmental activities, accumulated employee benefits are generally liquidated by the general fund.

# **CITY OF SOUTH HAVEN**

## **NOTES TO FINANCIAL STATEMENTS**

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### **9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The City participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority for all other claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The City has elected to participate in the Authority's stop loss program, which limits the paid losses, under most circumstances, to \$75,000 in any one year.

### **10. CONTINGENCIES**

The City is a defendant in several litigations. The civil suits will likely be covered by the City's liability insurance, and City Management considers the City's exposure under other suits to be immaterial. No provision for any loss has been made in the financial statements.

### **11. POST-EMPLOYMENT BENEFITS**

The City provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, eight (8) retirees are eligible. The City includes pre-Medicare retirees and their dependents in an independent health care plan, with 50 percent contribution required by the employee and 100 percent contributions by dependents. Expenditures for post-employment health care benefits are recognized as claims are paid. During the year, this amounted to approximately \$20,571.

### **12. PENSION PLANS**

#### **Defined Benefit Plan**

#### **Plan Description**

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multi-employer defined benefit pension plan providing retirement, death and disability benefits covering all City employees. The System is administered by the MERS retirement board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

The City is required to contribute at an actuarially determined rate; the current year amount was \$ -0-. Participating employees are required to contribute to the Plan between four (4.0) and six (6.0) percent of gross wages, depending on collective bargaining agreements and the City personnel handbook. The contribution requirements of the City and employees are established and may be amended by the MERS Retirement Board.

For the year ended June 30, 2006, the City's annual pension cost of \$-0- for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of eight (8.0) percent; and (b) projected salary increases of four and one-half (4.5) percent per year compounded annually, plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 30 years.

### Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ -	100%	\$ -
2005	-	100%	-
2006	-	100%	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2003	\$18,695,210	\$14,120,485	\$(4,574,725)	132%	\$3,242,705	(141)%
12/31/2004	19,219,750	14,902,201	(4,317,549)	129%	3,239,607	(133)%
12/31/2005	19,688,262	16,377,250	(3,311,012)	120%	3,401,815	(97)%

### Defined Contribution Plan

The City provides a defined contribution retirement plan for the City Manager through the International City and City Managers Administration (ICMA). The contribution plan for the City Manager is determined through a contractual arrangement with the City and the contribution rate is currently set at fifteen (15.0) percent of the Manager's gross salary, less any vehicle allowance. The salary covered under the defined contribution plan for the period ended June 30, 2006 was \$91,280. The total contribution made to the plan was equal to the amount required of \$13,692.

# CITY OF SOUTH HAVEN

## NOTES TO FINANCIAL STATEMENTS

### 13. JOINT VENTURES

#### Investment in the South Haven Area Emergency Services Authority

The South Haven Area Emergency Services Authority (the "Authority") is a legally separate entity, created through a joint venture by area governments in Van Buren County, Michigan. The City of South Haven became a constituent member (owner) of the Authority in 1999.

The share of ownership for each participating municipality varies annually, based on utilization of services. At June 30, 2006, the members of the authority are as follows:

	<b>Percent Of Ownership</b>
Casco Township	21%
Geneva Township	14%
South Haven Charter Township	21%
City of South Haven	<u>44%</u>
	<b><u>100%</u></b>

The City of South Haven is accounting for its investment in the Authority as a joint venture in accordance with GASB Statement 14. Information presented below is taken from financial statements of the Authority for the year ended December 31, 2005, audited by other auditors, whose report dated February 28, 2006, expressed an unqualified opinion on those statements.

Summary information of the City of South Haven's investment in the Authority for the year ended June 30, 2006, is as follows:

	<b>Total SHAES Authority</b>	<b>City of South Haven 44%</b>
Total assets	\$ 2,622,681	\$ 1,153,979
Total liabilities	<u>308,243</u>	<u>135,626</u>
<b>Net assets</b>	<b><u>\$ 2,314,438</u></b>	<b><u>\$ 1,018,353</u></b>
Operating revenues	\$ 2,149,159	\$ 945,629
Operating expenses	<u>1,909,412</u>	<u>840,141</u>
Operating income	239,747	105,488
Non-operating income	<u>9,862</u>	<u>4,339</u>
Change in net assets	249,609	109,827
Net assets, beginning of year	<u>2,064,829</u>	<u>908,524</u>
<b>Net assets, end of year</b>	<b><u>\$ 2,314,438</u></b>	<b><u>\$ 1,018,351</u></b>

Complete financial statements for the South Haven Emergency Services Authority may be obtained at the Authority's administrative office.

South Haven Area Emergency Services Authority  
930 Blue Star Highway  
South Haven MI 49090

# **CITY OF SOUTH HAVEN**

## **NOTES TO FINANCIAL STATEMENTS**

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### **14. RESTATEMENTS**

Beginning net assets of governmental activities were decrease by \$185,973 to capitalize \$45,027 of capital assets that should have been recorded in the prior year, and to reclassify \$231,000 of long-term debt for which the City is primary liable from the component units to governmental activities.

Beginning net assets of the Brownfield Redevelopment were increased by \$239,757 to reclassify the aforementioned debt and to properly state the beginning fund balance of the operating fund which erroneously included \$243 of primary government resources in the prior year.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

**CITY OF SOUTH HAVEN**  
**General Fund**  
**Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Amended Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Taxes:				
Real and personal property tax	\$ 2,862,882	\$ 2,862,882	\$ 2,903,691	\$ 40,809
Payments in lieu of taxes	675,053	675,053	674,758	(295)
Collection fees	153,000	153,000	169,309	16,309
Total taxes	3,690,935	3,690,935	3,747,758	56,823
Licenses and permits:				
Business	58,883	58,883	60,296	1,413
Nonbusiness	131,940	143,940	146,097	2,157
Liquor license fees	9,000	9,000	9,728	728
Total licenses and permits	199,823	211,823	216,121	4,298
Intergovernmental - federal	-	7,500	9,454	1,954
Intergovernmental - state:				
State-shared revenue	503,760	503,760	497,039	(6,721)
State grants	-	67,670	67,670	-
Total state sources	503,760	571,430	564,709	(6,721)
Intergovernmental - local	21,000	10,000	9,927	(73)
Charges for services:				
Planning and zoning fees	20,000	27,600	28,325	725
Foundations - cemetery	7,000	7,000	6,945	(55)
Grave openings	15,000	19,000	14,805	(4,195)
Cemetery lot use	7,500	19,500	27,795	8,295
Charges for services	355,502	355,502	355,052	(450)
Total charges for services	405,002	428,602	432,922	4,320
Fines and forfeits:				
Ordinance fines	14,000	14,000	25,103	11,103
Other fines	6,000	6,000	5,030	(970)
Total fines and forfeits	20,000	20,000	30,133	10,133
Interest and rentals	56,000	73,000	95,172	22,172
Other revenue	288,405	309,203	349,192	39,989
Total revenues	5,184,925	5,322,493	5,455,388	132,895

(Continued)

**CITY OF SOUTH HAVEN**  
**General Fund**  
**Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Amended Budget and Actual (Continued)**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Expenditures</b>				
General government:				
City council	\$ 37,483	\$ 44,483	\$ 41,435	\$ 3,048
City Manager	169,339	175,380	173,991	1,389
Elections	24,665	26,175	22,050	4,125
Finance department	158,775	173,454	168,997	4,457
City assessor	114,041	119,041	115,682	3,359
Legal counsel	80,000	130,000	109,855	20,145
City Clerk	25,904	25,904	25,060	844
Treasurer	40,047	40,047	40,046	1
City hall and grounds	179,120	191,715	183,841	7,874
Cemetery	91,372	91,372	81,057	10,315
Cable TV broadcasting	25,740	25,740	18,211	7,529
Other personnel activities	34,170	34,170	30,173	3,997
Insurance and bonds	60,000	53,000	43,080	9,920
Total general government	1,040,656	1,130,481	1,053,478	77,003
Public safety:				
Police department	1,597,630	1,633,736	1,619,820	13,916
Dispatch department	291,105	309,393	303,691	5,702
Ambulance	40,000	-	-	-
Fire authority	511,711	495,711	495,302	409
Building inspections	222,801	263,601	248,969	14,632
Total public safety	2,663,247	2,702,441	2,667,782	34,659
Public works:				
City Engineer	80,646	85,496	56,947	28,549
Highways and streets	371,340	469,840	398,598	71,242
Drains	42,299	42,299	41,599	700
Street lighting	70,000	70,000	70,000	-
Total public works	564,285	667,635	567,144	100,491
Health and welfare:				
Animal control	7,000	7,000	7,000	-
Hospital	79,774	79,774	84,107	(4,333)
Senior services	56,208	56,208	56,036	172
Total health and welfare	142,982	142,982	147,143	(4,161)

(Continued)

**CITY OF SOUTH HAVEN**  
**General Fund**  
**Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Amended Budget and Actual (Concluded)**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Expenditures (continued)</b>				
Recreation and culture:				
Parks department	\$ 185,374	\$ 185,374	\$ 184,828	\$ 546
Library	142,508	142,508	143,114	(606)
Youth recreation	10,000	10,000	10,000	-
Museums	9,942	107,000	87,755	19,245
Total recreation and culture	347,824	444,882	425,697	19,185
Other:				
Airport	70,875	70,875	65,885	4,990
Economic development	41,173	41,173	37,281	3,892
Miscellaneous	19,264	19,264	18,488	776
Total other	131,312	131,312	121,654	9,658
Total expenditures	4,890,306	5,219,733	4,982,898	236,835
Revenue over (under) expenditures	294,619	102,760	472,490	369,730
<b>Other financing sources (uses)</b>				
Transfers (out)	(294,619)	(337,119)	(337,119)	-
Net change in fund balance	-	(234,359)	135,371	369,730
Fund balance, beginning of year	1,217,693	1,217,693	1,217,693	-
<b>Fund balance, end of year</b>	<u>\$ 1,217,693</u>	<u>\$ 983,334</u>	<u>\$ 1,353,064</u>	<u>\$ 369,730</u>

**CITY OF SOUTH HAVEN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	<b>Major Street</b>	<b>Local Street</b>	<b>Street Improvement</b>	<b>Garbage Refuse</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 125,622	\$ 10,414	\$ 111,595	\$ 112,209
Investments	-	-	-	-
Receivables:				
Taxes	-	-	1,272	3,757
Others	-	-	-	-
Due from other funds	-	12,302	198,000	-
Due from other governmental units	61,744	16,873	-	-
Prepaid items	2,121	2,554	-	-
<b><u>TOTAL ASSETS</u></b>	<b>\$ 189,487</b>	<b>\$ 42,143</b>	<b>\$ 310,867</b>	<b>\$ 115,966</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 92,778	\$ 11,726	\$ 65,910	\$ -
Accrued expenses and other liabilities	1,927	2,506	-	-
Due to other funds	12,302	-	-	-
Deferred revenue	-	-	1,272	3,757
Total liabilities	107,007	14,232	67,182	3,757
<b>Fund balances</b>				
Reserved for:				
Prepaid items	2,121	2,554	-	-
Unreserved:				
Undesignated (deficit)	80,359	25,357	243,685	112,209
Total fund balances (deficit)	82,480	27,911	243,685	112,209
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 189,487</b>	<b>\$ 42,143</b>	<b>\$ 310,867</b>	<b>\$ 115,966</b>

**Special Revenue**

<b>Site Reclamation</b>	<b>Narcotics Unit</b>	<b>Police Training</b>	<b>Community Development Block Grant</b>	<b>River Maintenance</b>	<b>Sick Pay Reserve</b>
\$ 231	\$ 57,549	\$ 4,005	\$ 138,916	\$ 73,833	\$ 95,224
-	-	-	-	-	-
-	2,136	-	-	-	-
-	1,746	-	55,002	-	-
-	-	-	-	-	-
102,345	-	-	-	-	-
-	2,740	-	-	-	-
\$ 102,576	\$ 64,171	\$ 4,005	\$ 193,918	\$ 73,833	\$ 95,224
\$ -	\$ 7,794	\$ 170	\$ 23,436	\$ -	\$ -
-	4,780	-	-	-	-
105,000	-	-	-	-	-
-	2,137	-	55,002	-	-
105,000	14,711	170	78,438	-	-
-	2,740	-	-	-	-
(2,424)	46,720	3,835	115,480	73,833	95,224
(2,424)	49,460	3,835	115,480	73,833	95,224
\$ 102,576	\$ 64,171	\$ 4,005	\$ 193,918	\$ 73,833	\$ 95,224

(Continued)

**CITY OF SOUTH HAVEN**  
**Combining Balance Sheet (Concluded)**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	<b>Debt Service</b>		
	<b>Building Authority #1</b>	<b>Building Authority #2</b>	<b>Capital Improvement Bonds</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 31,195	\$ 14,928	\$ 6,434
Investments	-	-	-
Receivables:			
Taxes	-	-	-
Others	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Prepaid items	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b>\$ 31,195</b>	<b>\$ 14,928</b>	<b>\$ 6,434</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 300	\$ -	\$ -
Accrued expenses and other liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	300	-	-
<b>Fund balances</b>			
Reserved for:			
Prepaid items	-	-	-
Unreserved:			
Undesignated (deficit)	30,895	14,928	6,434
Total fund balances (deficit)	30,895	14,928	6,434
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 31,195</b>	<b>\$ 14,928</b>	<b>\$ 6,434</b>

<u>Capital Projects</u>		<u>Permanent</u>	<u>Total</u>
<u>Cemetery</u>	<u>Capital</u>	<u>Cemetery</u>	<u>Nonmajor</u>
<u>Improvement</u>	<u>Projects</u>	<u>Trust</u>	<u>Governmental</u>
			<u>Funds</u>
\$ 208,939	\$ 8,039	\$ 2,254	\$ 1,001,387
-	-	170,192	170,192
-	-	-	7,165
148	-	630	57,526
-	940,000	-	1,150,302
-	-	-	180,962
-	-	-	7,415
<hr/>		<hr/>	
\$ 209,087	\$ 948,039	\$ 173,076	\$ 2,574,949
<hr/>		<hr/>	
\$ -	\$ -	\$ -	\$ 202,114
-	-	-	9,213
-	-	-	117,302
-	-	-	62,168
<hr/>		<hr/>	
-	-	-	390,797
<hr/>		<hr/>	
-	-	-	7,415
209,087	948,039	173,076	2,176,737
<hr/>		<hr/>	
209,087	948,039	173,076	2,184,152
<hr/>		<hr/>	
\$ 209,087	\$ 948,039	\$ 173,076	\$ 2,574,949
<hr/>		<hr/>	

**CITY OF SOUTH HAVEN**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>Major Street</b>	<b>Local Street</b>	<b>Street Improvement</b>	<b>Garbage Refuse</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 398,421	\$ 264,013
Intergovernmental revenues:				
State	323,819	102,187	-	-
Local	-	-	251,028	-
Rental income	-	-	-	-
Interest income	8,521	590	5,879	7,110
Other	-	-	30,998	-
Total revenues	332,340	102,777	686,326	271,123
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	-
Highways and streets	483,500	187,459	615,925	-
Health and welfare	-	-	-	256,874
Other	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	483,500	187,459	615,925	256,874
Revenues over (under) expenditures	(151,160)	(84,682)	70,401	14,249
<b>Other financing sources (uses)</b>				
Transfers in	-	74,981	-	-
Transfers (out)	(74,505)	-	-	-
Total other financing sources (uses)	(74,505)	74,981	-	-
Net change in fund balances	(225,665)	(9,701)	70,401	14,249
Fund balances (deficit), beginning of year	308,145	37,612	173,284	97,960
<b>Fund balances (deficit), end of year</b>	<b>\$ 82,480</b>	<b>\$ 27,911</b>	<b>\$ 243,685</b>	<b>\$ 112,209</b>

<b>Special Revenue</b>						
<b>Site Reclamation</b>	<b>Narcotics Unit</b>	<b>Police Training</b>	<b>Community Development Block Grant</b>	<b>River Maintenance</b>	<b>Sick Pay Reserve</b>	
\$ -	\$ 171,089	\$ -	\$ -	\$ -	\$ -	
-	-	8,095	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
100	3,424	-	4,071	2,556	4,114	
-	11,342	-	34,795	-	-	
100	185,855	8,095	38,866	2,556	4,114	
-	194,360	8,119	-	-	-	
-	-	-	-	-	-	
-	-	-	174,718	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	4,000	-	
-	194,360	8,119	174,718	4,000	-	
100	(8,505)	(24)	(135,852)	(1,444)	4,114	
-	-	-	-	17,228	-	
-	-	-	-	-	-	
-	-	-	-	17,228	-	
100	(8,505)	(24)	(135,852)	15,784	4,114	
(2,524)	57,965	3,859	251,332	58,049	91,110	
\$ (2,424)	\$ 49,460	\$ 3,835	\$ 115,480	\$ 73,833	\$ 95,224	

(Continued)

**CITY OF SOUTH HAVEN**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>Debt Service</b>			<b>Capital</b>
	<b>Building Authority #1</b>	<b>Building Authority #2</b>	<b>Capital Improvement Bonds</b>	<b>Cemetery Improvement</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:				
State	-	-	-	-
Local	-	-	-	-
Rental income	207,435	-	-	-
Interest income	3,952	4,438	4,668	8,217
Other	-	59,197	180,000	6,315
Total revenues	211,387	63,635	184,668	14,532
<b>Expenditures</b>				
Current:				
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Other	-	275	250	-
Debt service:				
Principal	155,000	140,000	160,000	-
Interest and fiscal charges	52,735	136,173	219,795	-
Capital outlay	-	-	-	-
Total expenditures	207,735	276,448	380,045	-
Revenues over (under) expenditures	3,652	(212,813)	(195,377)	14,532
<b>Other financing sources (uses)</b>				
Transfers in	-	217,250	200,000	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	217,250	200,000	-
Net change in fund balances	3,652	4,437	4,623	14,532
Fund balances (deficit), beginning of year	27,243	10,491	1,811	194,555
<b>Fund balances (deficit), end of year</b>	<b>\$ 30,895</b>	<b>\$ 14,928</b>	<b>\$ 6,434</b>	<b>\$ 209,087</b>

<b>Projects</b>	<b>Permanent</b>	<b>Total</b>
<b>Capital</b>	<b>Cemetery</b>	<b>Nonmajor</b>
<b>Projects</b>	<b>Trust</b>	<b>Governmental</b>
		<b>Funds</b>
\$ -	\$ -	\$ 833,523
-	-	434,101
-	-	251,028
-	-	207,435
14,380	5,570	77,590
-	-	322,647
14,380	5,570	2,126,324
-	-	202,479
-	-	1,286,884
-	-	431,592
-	-	525
-	-	455,000
-	-	408,703
-	-	4,000
-	-	2,789,183
14,380	5,570	(662,859)
270,643	16,000	796,102
-	-	(74,505)
270,643	16,000	721,597
285,023	21,570	58,738
663,016	151,506	2,125,414
\$ 948,039	\$ 173,076	\$ 2,184,152

(Concluded)

**CITY OF SOUTH HAVEN**  
**Major Street Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to amended Budget Positive (negative)</b>
<b>Revenues</b>				
Intergovernmental revenues:				
Federal	\$ 375,000	\$ -	\$ -	\$ -
State	332,338	354,338	323,819	(30,519)
Interest	3,222	7,222	8,521	1,299
Total revenues	710,560	361,560	332,340	(29,220)
<b>Expenditures</b>				
Bridges	7,152	7,152	2,390	4,762
Maintenance	456,383	441,383	347,714	93,669
Traffic services	20,873	50,873	47,435	3,438
Winter maintenance	55,560	34,560	22,350	12,210
Trunkline maintenance	22,338	44,338	25,698	18,640
General administration	18,438	18,438	15,955	2,483
Engineering	20,000	22,000	21,958	42
Total expenditures	600,744	618,744	483,500	135,244
Revenues over (under) expenditures	109,816	(257,184)	(151,160)	106,024
<b>Other financing sources (uses)</b>				
Transfers out	(77,500)	(77,500)	(74,505)	2,995
Net change in fund balance	32,316	(334,684)	(225,665)	109,019
Fund balance, beginning of year	308,145	308,145	308,145	-
<b>Fund balance (deficit), end of year</b>	<b>\$ 340,461</b>	<b>\$ (26,539)</b>	<b>\$ 82,480</b>	<b>\$ 109,019</b>

**CITY OF SOUTH HAVEN**  
**Local Street Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental revenues:				
State	\$ 106,000	\$ 106,000	\$ 102,187	\$ (3,813)
Interest	205	205	590	385
Total revenues	106,205	106,205	102,777	(3,428)
<b>Expenditures</b>				
Maintenance	117,015	117,015	116,593	422
Traffic services	16,886	16,886	16,647	239
Winter maintenance	53,665	53,665	29,273	24,392
General administration	18,223	18,223	15,946	2,277
Engineering	9,000	9,000	9,000	-
Total expenditures	214,789	214,789	187,459	27,330
Revenues over (under) expenditures	(108,584)	(108,584)	(84,682)	23,902
<b>Other financing sources (uses)</b>				
Transfers in	77,976	77,976	74,981	(2,995)
Net change in fund balance	(30,608)	(30,608)	(9,701)	20,907
Fund balance, beginning of year	37,612	37,612	37,612	-
<b>Fund balance, end of year</b>	<b>\$ 7,004</b>	<b>\$ 7,004</b>	<b>\$ 27,911</b>	<b>\$ 20,907</b>

**CITY OF SOUTH HAVEN**  
**Street Improvement Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 394,536	\$ 394,536	\$ 398,421	\$ 3,885
Intergovernmental - local	212,600	212,600	251,028	38,428
Interest	415	5,415	5,879	464
Other income	-	31,000	30,998	(2)
 Total revenues	 607,551	 643,551	 686,326	 42,775
<b>Expenditures</b>				
Maintenance	597,451	633,451	615,925	17,526
 Net change in fund balance	 10,100	 10,100	 70,401	 60,301
Fund balance, beginning of year	173,284	173,284	173,284	-
 <b>Fund balance, end of year</b>	 \$ 183,384	 \$ 183,384	 \$ 243,685	 \$ 60,301

**CITY OF SOUTH HAVEN**  
**Garbage/Refuse Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 276,097	\$ 276,097	\$ 264,013	\$ (12,084)
Interest	2,600	2,600	7,110	4,510
Total revenues	278,697	278,697	271,123	(7,574)
<b>Expenditures</b>				
Health and welfare	266,000	266,000	256,874	9,126
Net change in fund balances	12,697	12,697	14,249	1,552
Fund balance, beginning of year	97,960	97,960	97,960	-
<b>Fund balance, end of year</b>	<u><u>\$ 110,657</u></u>	<u><u>\$ 110,657</u></u>	<u><u>\$ 112,209</u></u>	<u><u>\$ 1,552</u></u>

**CITY OF SOUTH HAVEN**  
**Site Reclamation Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental revenues:				
State	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Interest	-	-	100	100
Total revenues	10,000	10,000	100	(9,900)
<b>Expenditures</b>				
Parks	10,000	10,000	-	10,000
Net change in fund balance	-	-	100	100
Fund balance (deficit), beginning of year	(2,524)	(2,524)	(2,524)	-
<b>Fund balance (deficit), end of year</b>	<u>\$ (2,524)</u>	<u>\$ (2,524)</u>	<u>\$ (2,424)</u>	<u>\$ 100</u>

**CITY OF SOUTH HAVEN**  
**Narcotics Unit Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 169,317	\$ 169,317	\$ 171,089	\$ 1,772
Interest income	1,000	1,000	3,424	2,424
Other	7,850	11,072	11,342	270
Total revenues	178,167	181,389	185,855	4,466
<b>Expenditures</b>				
Public safety	191,304	194,526	194,360	166
Net change in fund balance	(13,137)	(13,137)	(8,505)	4,632
Fund balance, beginning of year	57,965	57,965	57,965	-
<b>Fund balance, end of year</b>	<b>\$ 44,828</b>	<b>\$ 44,828</b>	<b>\$ 49,460</b>	<b>\$ 4,632</b>

**CITY OF SOUTH HAVEN**  
**Police Training Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental revenues:				
State	\$ 6,200	\$ 7,200	\$ 8,095	\$ 895
<b>Expenditures</b>				
Public safety	6,000	8,855	8,119	736
Net change in fund balance	200	(1,655)	(24)	1,631
Fund balance, beginning of year	3,859	3,859	3,859	-
<b>Fund balance, end of year</b>	<u>\$ 4,059</u>	<u>\$ 2,204</u>	<u>\$ 3,835</u>	<u>\$ 1,631</u>

**CITY OF SOUTH HAVEN**  
**Community Development Block Grant Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Interest income	\$ 3,000	\$ 3,000	\$ 4,071	\$ 1,071
Other	13,500	13,500	34,795	21,295
Total revenues	16,500	16,500	38,866	22,366
<b>Expenditures</b>				
Health and welfare	25,568	295,268	174,718	120,550
Revenues over (under) expenditures	(9,068)	(278,768)	(135,852)	142,916
<b>Other financing sources</b>				
Transfers in	600	600	-	(600)
Net change in fund balance	(8,468)	(278,168)	(135,852)	142,316
Fund balance, beginning of year	251,332	251,332	251,332	-
<b>Fund balance (deficit), end of year</b>	<b>\$ 242,864</b>	<b>\$ (26,836)</b>	<b>\$ 115,480</b>	<b>\$ 142,316</b>

**CITY OF SOUTH HAVEN**  
**River Maintenance Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Interest income	\$ 600	\$ 600	\$ 2,556	\$ 1,956
<b>Expenditures</b>				
Capital outlay	-	4,000	4,000	-
Revenues over (under) expenditures	600	(3,400)	(1,444)	1,956
<b>Other financing sources</b>				
Transfers in	17,228	17,228	17,228	-
Net change in fund balance	17,828	13,828	15,784	1,956
Fund balance, beginning of year	58,049	58,049	58,049	-
<b>Fund balance, end of year</b>	<b>\$ 75,877</b>	<b>\$ 71,877</b>	<b>\$ 73,833</b>	<b>\$ 1,956</b>

**CITY OF SOUTH HAVEN**  
**Sick Pay Reserve Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Interest income	\$ 2,600	\$ 2,600	\$ 4,114	\$ 1,514
<b>Expenditures</b>				
Health and welfare	-	-	-	-
Net change in fund balance	2,600	2,600	4,114	1,514
Fund balance, beginning of year	91,110	91,110	91,110	-
<b>Fund balance, end of year</b>	<u>\$ 93,710</u>	<u>\$ 93,710</u>	<u>\$ 95,224</u>	<u>\$ 1,514</u>

**CITY OF SOUTH HAVEN**  
**Building Authority Fund Debt Service Fund #1**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Rental income	\$ 207,435	\$ 207,435	\$ 207,435	\$ -
Interest income	1,500	1,500	3,952	2,452
Total revenues	208,935	208,935	211,387	2,452
<b>Expenditures</b>				
Debt service:				
Principal	155,000	155,000	155,000	-
Interest and fiscal charges	52,735	52,735	52,735	-
Total expenditures	207,735	207,735	207,735	-
Net change in fund balance	1,200	1,200	3,652	2,452
Fund balance, beginning of year	27,243	27,243	27,243	-
<b>Fund balance, end of year</b>	<b>\$ 28,443</b>	<b>\$ 28,443</b>	<b>\$ 30,895</b>	<b>\$ 2,452</b>

**CITY OF SOUTH HAVEN**  
**Sidewalk Debt Service Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Variance to Amended Budget Positive (Negative)
<b>Revenues</b>				
Special assessment	\$ -	\$ -	\$ -	\$ -
Interest and rental income	-	-	-	-
Total revenues	-	-	-	-
<b>Expenditures</b>				
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
<b>Other financing sources</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Revenues and other sources over (under) expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF SOUTH HAVEN**  
**Building Authority Debt Service Fund # 2**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Other	\$ 59,197	\$ 59,197	\$ 59,197	\$ -
Interest income	1,000	1,000	4,438	3,438
Total revenues	60,197	60,197	63,635	3,438
<b>Expenditures</b>				
Debt service:				
Principal	140,000	140,000	140,000	-
Interest and fiscal charges	136,173	136,173	136,173	-
Other	275	275	275	-
Total expenditures	276,448	276,448	276,448	-
Revenues (under) expenditures	(216,251)	(216,251)	(212,813)	3,438
<b>Other financing sources</b>				
Transfers in	217,250	217,250	217,250	-
Total other financing sources	217,250	217,250	217,250	-
Net change in fund balance	999	999	4,437	3,438
Fund balance, beginning of year	10,491	10,491	10,491	-
<b>Fund balance, end of year</b>	<b>\$ 11,490</b>	<b>\$ 11,490</b>	<b>\$ 14,928</b>	<b>\$ 3,438</b>

**CITY OF SOUTH HAVEN**  
**Capital Improvement Bonds Debt Service Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Other	\$ 180,000	\$ 180,000	\$ 180,000	\$ -
Interest income	1,500	1,500	4,668	3,168
Total revenues	181,500	181,500	184,668	3,168
<b>Expenditures</b>				
Debt service:				
Principal	160,000	160,000	160,000	-
Interest and fiscal charges	219,795	219,795	219,795	-
Other	250	250	250	-
Total expenditures	380,045	380,045	380,045	-
Revenues (under) expenditures	(198,545)	(198,545)	(195,377)	3,168
<b>Other financing sources</b>				
Transfers in	200,000	200,000	200,000	-
Net change in fund balance	1,455	1,455	4,623	3,168
Fund balance, beginning of year	1,811	1,811	1,811	-
<b>Fund balance, end of year</b>	<b>\$ 3,266</b>	<b>\$ 3,266</b>	<b>\$ 6,434</b>	<b>\$ 3,168</b>

**CITY OF SOUTH HAVEN**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2006**

	Beach Fund	Black River Park	Marina Fund	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 174,362	\$ 1,949	\$ 883,017	\$ 1,059,328
Investments	-	-	35,000	35,000
Receivables:				
Other	43	-	2,211	2,254
Due from other funds	-	-	53,000	53,000
Prepaid expenses	415	1,896	1,931	4,242
Total current assets	174,820	3,845	975,159	1,153,824
Noncurrent assets:				
Advances to component unit	-	-	125,756	125,756
Capital assets:				
Land	-	2,333	3,003	5,336
Land improvements	-	935,467	1,920,275	2,855,742
Buildings and improvements	8,716	39,049	54,984	102,749
Machinery and equipment	-	19,680	-	19,680
Less: accumulated depreciation	-	(216,112)	(585,449)	(801,561)
Total noncurrent assets	8,716	780,417	1,518,569	2,307,702
<b>Total assets</b>	183,536	784,262	2,493,728	3,461,526
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,142	7,000	12,722	21,864
Accrued expenses and other liabilities	3,966	2,252	6,153	12,371
Due to other funds	-	53,000	-	53,000
Deferred revenue	7,500	45,842	196,272	249,614
Current portion of compensated absences	287	158	474	919
Total current liabilities	13,895	108,252	215,621	337,768
Noncurrent liabilities:				
Compensated absences	114	62	187	363
<b>Total liabilities</b>	14,009	108,314	215,808	338,131
<b>Net assets</b>				
Invested in capital assets	8,716	780,417	1,392,813	2,181,946
Unrestricted (deficit)	160,811	(104,469)	885,107	941,449
<b>Total net assets</b>	\$ 169,527	\$ 675,948	\$ 2,277,920	\$ 3,123,395

**CITY OF SOUTH HAVEN**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**For the Year Ended June 30, 2006**

	<b>Beach Fund</b>	<b>Black River Park</b>	<b>Marina Fund</b>	<b>Total</b>
<b>Operating revenues</b>				
Charges for services	\$ 178,825	\$ 848	\$ 3,917	\$ 183,590
State grant	-	-	22,500	22,500
Dock rental	-	143,594	474,636	618,230
Other	-	63	1,677	1,740
Total operating revenues	178,825	144,505	502,730	826,060
<b>Operating expenses</b>				
Operating costs and expenses	152,947	116,946	395,222	665,115
Property tax equivalents	8,500	6,713	25,400	40,613
Depreciation	-	49,176	97,259	146,435
Total operating expenses	161,447	172,835	517,881	852,163
Operating income (loss)	17,378	(28,330)	(15,151)	(26,103)
<b>Non-operating revenues (expenses)</b>				
Interest income	23,231	1,264	39,925	64,420
Net income before transfers	40,609	(27,066)	24,774	38,317
<b>Transfers</b>				
Transfers (out)	-	(3,728)	(13,500)	(17,228)
Change in net assets	40,609	(30,794)	11,274	21,089
Net assets, beginning of year	128,918	706,742	2,266,646	3,102,306
<b>Net assets, end of year</b>	<b>\$ 169,527</b>	<b>\$ 675,948</b>	<b>\$ 2,277,920</b>	<b>\$ 3,123,395</b>

**CITY OF SOUTH HAVEN**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2006**

	Beach Fund	Black River Park	Marina Fund	Total
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 178,990	\$ 156,187	\$ 574,259	\$ 909,436
Cash payments to suppliers for goods and services	(100,346)	(90,540)	(338,155)	(529,041)
Cash payments to employees for services	(62,925)	(61,567)	(91,063)	(215,555)
Net cash provided by (used in) operating activities	15,719	4,080	145,041	164,840
<b>Cash flows from noncapital financing activities</b>				
Advance to component units	-	-	29,610	29,610
Transfers out	-	(3,728)	(13,500)	(17,228)
Net cash provided by (used in) noncapital financing activities	-	(3,728)	16,110	12,382
<b>Cash flows from investing activities</b>				
Interest income	23,231	1,264	39,925	64,420
Purchase of investments	-	-	(35,000)	(35,000)
Sale of investments	-	-	37,160	37,160
Net cash provided by (used in) investing activities	23,231	1,264	42,085	66,580
Net increase (decrease) in cash and cash equivalents	38,950	1,616	203,236	243,802
Cash and cash equivalents, beginning of year	135,412	333	679,781	815,526
<b>Cash and cash equivalents, end of year</b>	<b>\$ 174,362</b>	<b>\$ 1,949</b>	<b>\$ 883,017</b>	<b>\$ 1,059,328</b>
<b>Reconciliation to Statement of Net Assets</b>				
Cash and cash equivalents	\$ 174,362	\$ 1,949	\$ 883,017	\$ 1,059,328
Cash and cash equivalents - restricted	-	-	-	-
Total cash and cash equivalents	<u>\$ 174,362</u>	<u>\$ 1,949</u>	<u>\$ 883,017</u>	<u>\$ 1,059,328</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 17,378	\$ (28,330)	\$ (15,151)	\$ (26,103)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	-	49,176	97,259	146,435
Changes in operating assets and liabilities which provided (used) cash:				
Receivables	165	-	2,881	3,046
Due from other funds	-	-	33,000	33,000
Prepaid expenses	658	(116)	753	1,295
Accounts payable	(1,921)	5,416	(11,209)	(7,714)
Accrued expenses and other liabilities	(962)	(968)	1,199	(731)
Due to other funds	-	(33,000)	-	(33,000)
Deferred revenue	-	11,682	35,648	47,330
Compensated absences	401	220	661	1,282
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 15,719</u>	<u>\$ 4,080</u>	<u>\$ 145,041</u>	<u>\$ 164,840</u>

**CITY OF SOUTH HAVEN**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2006**

	<b>Motor Pool</b>	<b>Information Services</b>	<b>Self Insurance</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 322,702	\$ 52,255	\$ 272,134	\$ 647,091
Accounts receivable	975	-	-	975
Due from other governmental units	100,000	-	-	100,000
Prepaid expenses	1,248	168	-	1,416
Total current assets	424,925	52,423	272,134	749,482
Noncurrent assets:				
Advances to component unit	142,071	-	-	142,071
Capital assets:				
Vehicles	1,768,277	-	-	1,768,277
Machinery and equipment	614,641	32,926	-	647,567
Less: accumulated depreciation	(1,695,939)	(3,293)	-	(1,699,232)
Total noncurrent assets	829,050	29,633	-	858,683
Total assets	1,253,975	82,056	272,134	1,608,165
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	30,158	7,844	-	38,002
Accrued expenses and other liabilities	4,374	1,673	27,272	33,319
Current portion of compensated absences	1,946	3,404	-	5,350
Current portion of long-term debt	100,000	-	-	100,000
Total current liabilities	136,478	12,921	27,272	176,671
Noncurrent liabilities:				
Compensated absences	1,045	1,829	-	2,874
Total liabilities	137,523	14,750	27,272	179,545
<b>Net assets</b>				
Invested in capital assets, net of related debt	586,979	29,633	-	616,612
Unrestricted	529,473	37,673	244,862	812,008
Total net assets	\$ 1,116,452	\$ 67,306	\$ 244,862	\$ 1,428,620

**CITY OF SOUTH HAVEN**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**For the Year Ended June 30, 2006**

	<b>Motor Pool</b>	<b>Information Services</b>	<b>Self Insurance</b>	<b>Total</b>
<b>Operating revenues</b>				
Charges for services	\$ 562,098	\$ 184,824	\$ 224,702	\$ 971,624
Other	18,980	-	-	18,980
Total operating revenues	581,078	184,824	224,702	990,604
<b>Operating expenses</b>				
Operating costs and expenses	425,801	193,433	179,389	798,623
Depreciation	191,970	3,293	-	195,263
Total operating expenses	617,771	196,726	179,389	993,886
Operating income (loss)	(36,693)	(11,902)	45,313	(3,282)
<b>Non-operating revenues (expenses)</b>				
Interest income	16,674	-	5,358	22,032
Interest and fiscal charges	(5,861)	-	-	(5,861)
Total non-operating revenues (expenses)	10,813	-	5,358	16,171
Net income before transfers	(25,880)	(11,902)	50,671	12,889
<b>Transfers</b>				
Transfers in	-	50,000	-	50,000
Change in net assets	(25,880)	38,098	50,671	62,889
Net assets, beginning of year	1,142,332	29,208	194,191	1,365,731
<b>Net assets, end of year</b>	<u>\$ 1,116,452</u>	<u>\$ 67,306</u>	<u>\$ 244,862</u>	<u>\$ 1,428,620</u>

**CITY OF SOUTH HAVEN**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2006**

	<b>Motor Pool</b>	<b>Information Services</b>	<b>Self Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Cash received for interfund services	\$ 682,053	\$ 184,824	\$ 224,702	\$ 1,091,579
Cash payments to suppliers for goods and services	(335,068)	(142,887)	-	(477,955)
Cash payments to employees for services	(82,058)	(57,199)	(180,752)	(320,009)
Net cash provided by (used in) operating activities	264,927	(15,262)	43,950	293,615
<b>Cash flows from noncapital financing activities</b>				
Advance to component units	29,124	-	-	29,124
Transfers in	-	50,000	-	50,000
Net cash provided by (used in) noncapital financing activities	29,124	50,000	-	79,124
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(91,663)	(32,926)	-	(124,589)
Principal paid on long-term debt	(100,000)	-	-	(100,000)
Interest and fiscal charges paid	(5,861)	-	-	(5,861)
Net cash provided by (used in) capital and Related financing activities	(197,524)	(32,926)	-	(230,450)
<b>Cash flows from investing activities</b>				
Interest income	16,674	-	5,358	22,032
Net increase (decrease) in cash and cash equivalents	113,201	1,812	49,308	164,321
<b>Cash and cash equivalents, Beginning of year</b>	209,501	50,443	222,826	482,770
<b>End of year</b>	\$ 322,702	\$ 52,255	\$ 272,134	\$ 647,091

(continued...)

**CITY OF SOUTH HAVEN**  
**Internal Service Funds**  
**Combining Statement of Cash Flows (Concluded)**  
**For the Year Ended June 30, 2006**

	<b>Motor Pool</b>	<b>Information Services</b>	<b>Self Insurance</b>	<b>Total</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (36,693)	\$ (11,902)	\$ 45,313	\$ (3,282)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	191,970	3,293	-	195,263
Change in operating assets and liabilities which provided (used) cash:				
Receivables	975	-	-	975
Due from other governmental units	100,000	-	-	100,000
Prepaid expenses	826	520	891	2,237
Accounts payable	7,273	(8,154)	(29,526)	(30,407)
Accrued expenses and other liabilities	(2,415)	(4,252)	27,272	20,605
Compensated absences	2,991	5,233	-	8,224
Net cash provided by (used in) operating activities	<u>\$ 264,927</u>	<u>\$ (15,262)</u>	<u>\$ 43,950</u>	<u>\$ 293,615</u>

**CITY OF SOUTH HAVEN**  
**Fiduciary Funds**  
**Combining Statement of Assets and Liabilities**  
**June 30, 2006**

	<b>Agency Funds</b>			
	<b>Payroll Tax Collection</b>	<b>Current Tax Collection</b>	<b>Trust and Agency</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 39,960	\$ -	\$ 160,120	\$ 200,080
Investments	-	-	234,406	234,406
Total assets	\$ 39,960	\$ -	\$ 394,526	\$ 434,486
<b>Liabilities</b>				
Deposits	\$ -	\$ -	\$ 358,828	\$ 358,828
Accounts payable	9,910	-	35,698	45,608
Due to other governments	30,050	-	-	30,050
Total liabilities	\$ 39,960	\$ -	\$ 394,526	\$ 434,486

**CITY OF SOUTH HAVEN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2006**

	<b>Balance July 1, 2005</b>		<b>Additions</b>		<b>Deductions</b>		<b>Balance June 30, 2006</b>
<b><u>Payroll Tax Collection Fund</u></b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 38,572	\$	361,292	\$	359,904	\$	39,960
<b>Liabilities</b>							
Accounts payable	\$ 35,455	\$	371,567	\$	368,705	\$	9,910
Due to other governmental units	3,117		1,383,863		1,383,741		30,050
Total liabilities	\$ 38,572	\$	1,755,430	\$	1,752,446	\$	39,960
<b><u>Current Tax Collection Fund</u></b>							
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$	13,202,169	\$	13,202,169	\$	-
<b>Liabilities</b>							
Due to other funds	\$ -	\$	4,241,607	\$	4,241,607	\$	-
Due to other governmental units	-		11,018,510		11,018,510		-
Total liabilities	\$ -	\$	15,260,117	\$	15,260,117	\$	-
<b><u>Trust and Agency Fund</u></b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 121,893	\$	115,114	\$	27,300	\$	160,120
Investments	8,079		134		-		234,406
Total assets	\$ 129,972	\$	115,248	\$	27,300	\$	394,526
<b>Liabilities</b>							
Accounts payable	\$ -	\$	21,251	\$	21,251	\$	35,698
Deposits	129,972		109,584		21,636		358,828
Total liabilities	\$ 129,972	\$	130,835	\$	42,887	\$	394,526

continued...

**CITY OF SOUTH HAVEN**  
**Combining Statement of Changes in Assets and Liabilities (Concluded)**  
**Agency Funds**  
**For the Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<hr/>				
<b><u>Total - All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 160,465	\$ 13,678,575	\$ 13,589,373	\$ 200,080
Investments	8,079	134	-	234,406
<hr/>				
Total assets	\$ 168,544	\$ 13,678,709	\$ 13,589,373	\$ 434,486
<hr/>				
<b>Liabilities</b>				
Accounts payable	\$ 35,455	\$ 392,818	\$ 389,956	\$ 45,608
Due to other funds	-	4,241,607	4,241,607	-
Due to other governmental units	3,117	12,402,373	12,402,251	30,050
Deposits	129,972	109,584	21,636	358,828
<hr/>				
Total liabilities	\$ 168,544	\$ 17,146,382	\$ 17,055,450	\$ 434,486
<hr/>				

**CITY OF SOUTH HAVEN**  
**Downtown Development Authority**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**June 30, 2006**

	<b>Operating Fund</b>	<b>Debt Service</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 22,509	\$ 6	\$ -	\$ 22,515
Prepays	118	-	-	118
Capital assets not being depreciated	-	-	-	-
Capital assets being depreciated, net	-	-	4,166,681	4,166,681
Total assets	<u>\$ 22,627</u>	<u>\$ 6</u>	<u>4,166,681</u>	<u>4,189,314</u>
<b>Liabilities</b>				
Accounts payable	\$ 40,354	\$ -	\$ -	\$ 40,354
Accrued liabilities	926	-	19,003	19,929
Advances from primary government	715,726	267,827	-	983,553
Bond payable				
Due within one year	-	-	235,000	235,000
Due in more than one year	-	-	2,495,000	2,495,000
Total liabilities	<u>757,006</u>	<u>267,827</u>	<u>2,749,003</u>	<u>3,773,836</u>
<b>Fund balance (deficit)</b>				
Undesignated	<u>(734,379)</u>	<u>(267,821)</u>	<u>1,002,200</u>	
Total liabilities and fund balance	<u>\$ 22,627</u>	<u>\$ 6</u>		
<b>Net assets</b>				
Invested in capital assets, net of related debt			1,436,681	1,436,681
Unrestricted (deficit)			<u>(1,021,203)</u>	<u>(1,021,203)</u>
Total net assets			<u>\$ 415,478</u>	<u>\$ 415,478</u>

**CITY OF SOUTH HAVEN**  
**Downtown Development Authority**  
**Statement of Activities and Governmental Fund**  
**Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2006**

	<b>Operating Fund</b>	<b>Debt Service</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>				
Property taxes	\$ 949,819	\$ -	\$ -	\$ 949,819
Other income	16,702	-	-	16,702
Interest income	1,506	4,019	-	5,525
Total revenues	968,027	4,019	-	972,046
<b>Expenditures/expenses</b>				
Debt service:				
Principal	-	210,000	(210,000)	-
Interest and fiscal charges	-	131,668	19,003	150,671
Capital outlay	871,925	-	145,696	1,017,621
Total expenditures/expenses	871,925	341,668	(45,301)	1,168,292
Revenues over (under) expenditures	96,102	(337,649)	45,301	(196,246)
<b>Other financing sources (uses)</b>				
Transfers in	-	396,367	(396,367)	-
Transfers out	(396,367)	-	396,367	-
Total other financing sources (uses)	(396,367)	396,367	-	-
Net changes in fund balance/net assets	(300,265)	58,718	45,301	(196,246)
<b>Fund balance/net assets (deficit):</b>				
Beginning of year	(434,114)	(326,539)	1,372,377	611,724
<b>End of year</b>	\$ (734,379)	\$ (267,821)	\$ 1,417,678	\$ 415,478

**CITY OF SOUTH HAVEN**  
**Downtown Development Authority Operating Fund**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 981,860	\$ 981,860	\$ 949,819	\$ (32,041)
Other income	5,000	19,345	16,702	(2,643)
Interest income	-	-	1,506	1,506
<b>Total revenues</b>	<b>986,860</b>	<b>1,001,205</b>	<b>968,027</b>	<b>(33,178)</b>
<b>Expenditures</b>				
Capital outlay	804,665	874,683	871,925	2,758
<b>Revenues over expenditures</b>	<b>182,195</b>	<b>126,522</b>	<b>96,102</b>	<b>(35,936)</b>
<b>Other financing sources (uses)</b>				
Transfers out	(396,367)	(396,367)	(396,367)	-
<b>Net change in fund balance</b>	<b>(214,172)</b>	<b>(269,845)</b>	<b>(300,265)</b>	<b>30,420</b>
<b>Fund balance (deficit), beginning of year</b>	<b>(434,114)</b>	<b>(434,114)</b>	<b>(434,114)</b>	<b>-</b>
<b>Fund balance (deficit), end of year</b>	<b>\$ (648,286)</b>	<b>\$ (703,959)</b>	<b>\$ (734,379)</b>	<b>\$ 30,420</b>

**CITY OF SOUTH HAVEN**  
**Downtown Development Authority Tax Increment Debt Service**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Interest income	\$ 2,000	\$ 2,000	\$ 4,019	\$ 2,019
<b>Expenditures</b>				
Debt service:				
Principal retirement	266,762	266,762	210,000	56,762
Interest and fiscal charges	131,605	131,605	131,668	(63)
Total expenditures	398,367	398,367	341,668	56,699
Net change in fund balance	(396,367)	(396,367)	(337,649)	(54,680)
<b>Other financing sources</b>				
Transfers in	396,367	396,367	396,367	-
Revenues and other financing sources over (under) expenditures	-	-	58,718	58,718
Fund balance (deficit), beginning of year	(326,539)	(326,539)	(326,539)	-
<b>Fund balance (deficit), end of year</b>	<b>\$ (326,539)</b>	<b>\$ (326,539)</b>	<b>\$ (267,821)</b>	<b>\$ 58,718</b>

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #1**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**June 30, 2006**

	<b>Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 736,869	\$ -	\$ 736,869
Investments	50,000	-	50,000
Accounts receivable	231	-	231
Due from other component units	300,000	-	300,000
Prepays	59	-	59
	<hr/>		<hr/>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,087,159</u></b>	<b><u>-</u></b>	<b><u>1,087,159</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 20	-	20
Accrued liabilities	543	-	543
	<hr/>		<hr/>
Total liabilities	563	-	<hr/> 563
<b>Fund balance</b>			
Undesignated	1,086,596	(1,086,596)	
	<hr/>	<hr/>	
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 1,087,159</u></b>	<b><u>(1,086,596)</u></b>	
<b>Net assets</b>			
Unrestricted		<hr/> <hr/> \$ 1,086,596	<hr/> <hr/> \$ 1,086,596

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #1**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance/Statement of Activities**  
**For the Year Ended June 30, 2006**

	<b>Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 434,939	\$ -	\$ 434,939
Interest revenue	20,013	-	20,013
Total revenues	454,952	-	454,952
<b>Expenditures/ expenses</b>			
Community development	341,672	-	341,672
Net change in fund balance	113,280	-	
Changes in net assets	-	113,280	113,280
<b>Fund balance/net assets (deficit):</b>			
Beginning of year	973,316	-	973,316
<b>End of year</b>	<u>\$ 1,086,596</u>	<u>\$ -</u>	<u>\$ 1,086,596</u>

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #1**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 433,024	\$ 433,024	\$ 434,939	\$ 1,915
Interest income	3,500	3,500	20,013	16,513
Total revenues	436,524	436,524	454,952	18,428
<b>Expenditures</b>				
Capital outlay	45,000	101,502	64,172	37,330
Other	157,500	277,500	277,500	-
Total expenditures	202,500	379,002	341,672	37,330
Net change in fund balance	234,024	57,522	113,280	55,758
Fund balance, beginning of year	973,316	973,316	973,316	-
<b>Fund balance, end of year</b>	<b>\$ 1,207,340</b>	<b>\$ 1,030,838</b>	<b>\$ 1,086,596</b>	<b>\$ 55,758</b>

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #2**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**June 30, 2006**

	<b>Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<hr/>			
<b>Assets</b>			
Cash and cash equivalents	\$ 29,707	\$ -	\$ 29,707
Investments	50,000	-	50,000
Accounts receivable	231	-	231
Capital assets not being depreciated	-	55,373	55,373
	<hr/>		
Total assets	<u>\$ 79,938</u>	55,373	135,311
	<hr/>		
<b>Fund balance</b>			
Undesignated	<u>\$ 79,938</u>	(79,938)	
	<hr/>		
<b>Net assets</b>			
Invested in capital assets		55,373	55,373
Net assets - unrestricted		79,938	79,938
		<hr/>	
Total net assets		<u>\$ 135,311</u>	<u>\$ 135,311</u>

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #2**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance/Statement of Activities**  
**For the Year Ended June 30, 2006**

	<b>Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 28,606	\$ -	\$ 28,606
Interest revenue	1,605	-	1,605
Total revenues	30,211	-	30,211
<b>Expenditures/ expenses</b>			
Community development	18,822	-	18,822
Net change in fund balance	11,389	-	
Changes in net assets		11,389	11,389
<b>Fund balance/net assets (deficit):</b>			
Beginning of year	68,549	55,373	123,922
<b>End of year</b>	<b>\$ 79,938</b>	<b>\$ 55,373</b>	<b>\$ 135,311</b>

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #2**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 31,651	\$ 31,651	\$ 28,606	\$ (3,045)
Interest income	700	700	1,605	905
Total revenues	32,351	32,351	30,211	(2,140)
<b>Expenditures</b>				
Other expenditures	18,822	18,822	18,822	-
Net change in fund balance	13,529	13,529	11,389	(2,140)
Fund balance, beginning of year	68,549	68,549	68,549	-
<b>Fund balance, end of year</b>	<b>\$ 82,078</b>	<b>\$ 82,078</b>	<b>\$ 79,938</b>	<b>\$ (2,140)</b>

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #3**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**June 30, 2006**

	<b>Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 539,204	\$ -	\$ 539,204
Accounts receivable	5,735	-	5,735
Prepays	39	-	39
Capital assets not being depreciated	-	136,080	136,080
	<hr/>		<hr/>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 544,978</u></b>	<b>136,080</b>	<b>681,058</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 13,588	-	13,588
Accrued liabilities	362	-	362
Due to other component units	300,000	-	300,000
Note payable:			
Due within one year	-	27,208	27,208
Due in more than one year	-	238,074	238,074
	<hr/>		<hr/>
Total liabilities	313,950	265,282	<u>579,232</u>
<b>Fund balance</b>			
Undesignated	<u>231,028</u>	<u>(231,028)</u>	
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 544,978</u></b>	<b>34,254</b>	
<b>Net assets</b>			
Invested in capital assets, net of related debt		(129,202)	(129,202)
Unrestricted		<u>231,028</u>	<u>231,028</u>
		<hr/>	
Total net assets		<u>\$ 101,826</u>	<u>\$ 101,826</u>

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #3**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance/Statement of Activities**  
**For the Year Ended June 30, 2006**

	<b>Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 250,518	\$ -	\$ 250,518
Interest revenue	9,933	-	9,933
Other	178,597	-	178,597
Total revenues	439,048	-	439,048
<b>Expenditures/ expenses</b>			
Community development	110,057	-	110,057
Debt service:			
Principal	27,208	(27,208)	-
Total expenditures/ expenses	137,265	(27,208)	110,057
Net change in fund balance	301,783	(27,208)	
Changes in net assets	-	328,991	328,991
<b>Fund balance/net assets (deficit):</b>			
Beginning of year	(70,755)	(156,410)	(227,165)
<b>End of year</b>	<u>\$ 231,028</u>	<u>\$ (183,618)</u>	<u>\$ 101,826</u>

**CITY OF SOUTH HAVEN**  
**Local Development Finance Authority #3**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 249,336	\$ 249,336	\$ 250,518	\$ 1,182
Interest income	3,000	6,500	9,933	3,433
Other	-	178,597	178,597	-
Total revenues	252,336	434,433	439,048	4,615
<b>Expenditures</b>				
Community development	77,500	138,668	110,057	28,611
Debt service:				
Principal	40,732	30,732	27,208	3,524
Interest	35,948	-	-	-
Total expenditures	154,180	169,400	137,265	32,135
Net change in fund balance	98,156	265,033	301,783	(36,750)
Fund balance (deficit), beginning of year	(70,755)	(70,755)	(70,755)	-
<b>Fund balance, end of year</b>	<b>\$ 27,401</b>	<b>\$ 194,278</b>	<b>\$ 231,028</b>	<b>\$ (36,750)</b>

**CITY OF SOUTH HAVEN**  
**Brownfield Redevelopment Authority**  
**Statement of Net Assets and Governmental Funds Balance Sheet**  
**June 30, 2006**

	<b>Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b><u>ASSETS</u></b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 972,688	\$ -	\$ 972,688
Accounts receivable	671	-	671
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 973,359</u></b>	<b><u>-</u></b>	<b><u>973,359</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,867	-	3,867
<b>Fund balance</b>			
Undesignated	969,492	(969,492)	
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 973,359</u></b>	<b><u>(969,492)</u></b>	
<b>Net assets</b>			
Unrestricted		\$ 969,492	\$ 969,492

**CITY OF SOUTH HAVEN**  
**Brownfield Redevelopment Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance/Statement of Activities**  
**For the Year Ended June 30, 2006**

	<b>Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
Property taxes	\$ 290,391	\$ -	\$ 290,391
Intergovernmental - state	24,316	-	24,316
Interest revenue	21,832	-	21,832
Total revenues	336,539	-	336,539
<b>Expenditures/ expenses</b>			
Community development	37,500	-	37,500
Capital outlay	286,614	-	286,614
Total expenditures/ expenses	324,114	-	324,114
Net change in fund balance	12,425	-	
Changes in net assets	-	12,425	12,425
<b>Fund balance/net assets (deficit):</b>			
Beginning of year, as restated	957,067	-	957,067
<b>End of year</b>	<u>\$ 969,492</u>	<u>\$ -</u>	<u>\$ 969,492</u>

**CITY OF SOUTH HAVEN**  
**Brownfield Redevelopment Authority**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2006**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance to Amended Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 286,032	\$ 286,032	\$ 290,391	\$ 4,359
Intergovernmental - state	-	-	24,316	24,316
Interest income	6,000	6,000	21,832	15,832
Other	290	290	-	(290)
Total revenues	292,322	292,322	336,539	44,217
<b>Expenditures</b>				
Community development	37,500	37,500	37,500	-
Capital outlay	148,000	346,000	286,614	59,386
Total expenditures	185,500	383,500	324,114	59,386
Net change in fund balance	106,822	(91,178)	12,425	(103,603)
Fund balance, beginning of year	957,067	957,067	957,067	-
<b>Fund balance, end of year</b>	<b>\$ 1,063,889</b>	<b>\$ 865,889</b>	<b>\$ 969,492</b>	<b>\$ (103,603)</b>

## **STATISTICAL SECTION**

**CITY OF SOUTH HAVEN, MICHIGAN**

**GENERAL GOVERNMENTAL REVENUE BY SOURCE (NOTE A)**

**1997 THROUGH 2006**

**(UNAUDITED)**

<b>Year Ended June 30,</b>	<b>Taxes and Special Assessments</b>	<b>Licenses and Permits</b>	<b>Inter- Governmental Revenue</b>	<b>Charges for Services (Note B)</b>	<b>Fines and Forfeits</b>	<b>Interest and Rents</b>	<b>Other Revenues</b>	<b>Total</b>
1997	2,439,042	85,189	1,087,727	252,608	17,364	326,986	343,720	4,552,636
1998	2,607,718	70,815	1,325,992	954,729	18,520	377,824	275,366	5,630,964
1999	2,740,816	101,996	1,161,010	902,597	20,346	321,169	279,761	5,527,695
2000	2,925,742	127,518	1,399,101	697,352	20,906	359,909	547,378	6,077,906
2001	3,400,043	134,301	1,303,555	340,751	20,558	395,137	288,655	5,883,000
2002	3,537,231	143,436	1,279,902	349,281	17,679	348,779	243,831	5,920,139
2003	3,774,620	170,568	1,130,003	391,995	22,460	370,200	232,383	6,092,229
2004	4,244,771	236,824	1,446,941	393,918	25,635	390,991	1,161,809	7,900,889
2005	4,596,361	200,283	948,231	421,837	22,319	329,478	746,631	7,265,140
2006	4,581,281	216,121	1,269,219	432,922	30,133	380,197	671,839	7,581,712

**Note A** Includes General, Special Revenue, Debt Service and Capital Projects Funds

**Note B** Prior to 1998, charges for services performed by the General Fund were treated as operating transfers from other City funds.

**Note C** Prior to 2000, Charges for insurance included Beach Fund revenue

**Source** City Records

**CITY OF SOUTH HAVEN, MICHIGAN**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (NOTE A)**

**1997 THROUGH 2006**

**(UNAUDITED)**

<b>Year Ended June 30,</b>	<b>General Government (Note A)</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Highway and Streets</b>	<b>Health and Welfare</b>	<b>Recreation and Culture</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Functions</b>	<b>Total</b>
1997	1,143,913	2,323,595	575,761	391,918	206,460	317,963	398,539	74,171	44,112	5,476,432
1998	1,070,678	2,364,308	571,752	608,009	218,724	302,695	413,138	609,800	89,631	6,248,735
1999	1,021,824	2,298,147	647,438	357,175	343,697	404,731	415,119	45,154	67,935	5,601,220
2000	1,130,325	2,488,445	655,259	345,394	504,161	237,670	376,193	150,336	45,373	5,933,156
2001	924,251	2,545,894	580,969	408,036	366,502	432,163	373,403	638,869	49,319	6,319,406
2002	913,585	2,668,544	506,239	301,153	484,164	312,193	495,228	2,468,556	136,331	8,285,993
2003	923,387	2,653,486	502,472	496,623	496,026	341,126	780,540	1,817,281	73,000	8,083,941
2004	917,662	2,783,710	558,238	556,535	875,958	312,214	854,299	4,212,122	115,011	11,185,749
2005	967,420	2,862,693	546,243	395,777	536,352	341,145	875,510	1,590,142	119,780	8,235,062
2006	1,053,478	2,870,261	567,144	1,434,027	431,592	425,697	863,703	52,635	122,179	7,820,716

**Note A** Includes General, Special Revenue, Debt Service and Capital Projects Funds  
**Note B** Prior to 2000 Recreation and Culture included Beach Maintenance Fund

**Source** City Records

**CITY OF SOUTH HAVEN, MICHIGAN**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**1996 THROUGH 2005**  
**(UNAUDITED)**

<b>Taxes Levied July 1,</b>	<b>Fiscal Year</b>	<b>Total Tax Levy (Note A)</b>	<b>Total Tax Collections (Note A)</b>	<b>Percent of Total Tax Collections Total Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Delinquent Taxes to Tax Levy</b>
1996	06/30/97	2,216,505	2,211,500	99.77%	5,005	0.23%
1997	06/30/98	2,297,659	2,288,143	99.59%	9,516	0.41%
1998	06/30/99	2,645,966	2,639,901	99.77%	6,065	0.23%
1999	06/30/00	2,841,871	2,834,429	99.74%	7,442	0.26%
2000	06/30/01	3,017,302	3,009,487	99.74%	4,939	0.16%
2001	06/30/02	3,273,823	3,258,611	99.54%	12,902	0.39%
2002	06/30/03	3,541,194	3,518,955	99.37%	18,248	0.52%
2003	06/30/04	4,141,938	4,138,570	99.92%	3,368	0.08%
2004	06/30/05	4,360,881	4,356,038	99.89%	4,843	0.11%
2005	06/30/06	4,566,837	4,563,102	99.92%	3,735	0.08%

**Note A**      **1998 Tax Levy and Collections includes taxes collected for Library, Hospital and Senior Services, now accounted for through the General Fund.**

**Source**      **City Records**

# CITY OF SOUTH HAVEN, MICHIGAN

## STATE EQUALIZED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

1997 THROUGH 2006

(UNAUDITED)

Fiscal Year Ending	Real Property		Personal Property		Total		Ratio of Totals State Equalized Value to Estimated Actual Value
	State Equalized Value	Estimated Actual Value	State Equalized Value	Estimated Actual Value	State Equalized Value	Estimated Actual Value	
1997	144,417,272	288,834,544	20,990,446	41,980,892	165,407,718	330,815,436	50.00
1998	165,294,297	330,588,594	20,633,959	41,267,918	185,928,256	371,856,512	50.00
1999	181,477,841	362,955,682	24,396,741	48,793,482	205,874,582	411,749,164	50.00
2000	200,035,763	400,071,526	26,556,381	53,112,762	226,592,144	453,184,288	50.00
2001	221,553,969	443,107,938	31,653,330	63,306,660	253,207,299	506,414,598	50.00
2002	242,599,600	485,199,200	37,190,200	74,380,400	279,789,800	559,579,600	50.00
2003	273,307,300	546,614,600	40,736,800	81,473,600	314,044,100	628,088,200	50.00
2004	303,648,900	607,297,800	40,933,100	81,866,200	344,582,000	689,164,000	50.00
2005	354,034,300	708,068,600	40,286,800	80,573,600	394,321,100	788,642,200	50.00
2006	379,949,700	759,899,400	40,555,400	81,110,800	420,505,100	841,010,200	50.00

Source      City Records

# CITY OF SOUTH HAVEN, MICHIGAN

## BREAKDOWN OF 2005 STATE EQUALIZED VALUATION BY CLASS OF PROPERTY

(2005 ASSESSMENT ROLL/BASED ON 12/31/04 TAX DAY)

(UNAUDITED)

Class of Property	State Equalized Valuation	Percent of Total
Agriculture	\$ 144,700	0.03 %
Commercial	72,648,000	17.28
Industrial	18,775,200	4.46
Residential	288,381,800	68.58
Personal	40,555,400	9.64
<b>Total</b>	<b>\$ 420,505,100</b>	<b>100.00 %</b>

## TEN LARGEST TAXPAYERS PER 2005 STATE EQUALIZED VALUATION (SEV)

Taxpayer	Type of Business	State Equalized Valuation	Percent of Total SEV
Pullman Industries	Manufacturing	\$ 17,763,300	4.22 %
DSM, Inc.	Manufacturing	15,946,900	3.79
Wal Mart	Retail	7,826,300	1.86
Yale-South Haven Inc	Manufacturing	3,242,800	0.77
Shree Shiv Hospitality Inc.	Hotel	2,263,400	0.54
River Ridge Retirement Village	Nursing Home	2,094,700	0.50
CCG Properties	Nursing Home	2,033,000	0.48
BRG Brothers Inc	Restaurant	1,610,000	0.38
American Twisting	Manufacturing	1,438,700	0.34
Double J Molding Inc	Manufacturing	1,424,100	0.34
<b>Ten Largest Taxpayers</b>		<b>55,643,200</b>	<b>13.22</b>
<b>Other Taxpayers</b>		<b>364,861,900</b>	<b>86.78</b>
<b>Total State Equalized Valuation</b>		<b>\$ 420,505,100</b>	<b>100.00 %</b>

Source      City Records

**CITY OF SOUTH HAVEN, MICHIGAN**

**PROPERTY VALUE AND BANK DEPOSITS**

**1997 THROUGH 2006**

**(UNAUDITED)**

<b>Fiscal Year Ending</b>	<b>Property Value</b>						<b>Bank Deposits</b>
	<b>Agriculture</b>	<b>Commerical</b>	<b>Industrial</b>	<b>Residential</b>	<b>Personal</b>	<b>Total</b>	
<b>1997</b>	<b>263,128</b>	<b>54,258,286</b>	<b>19,748,378</b>	<b>195,259,916</b>	<b>42,833,884</b>	<b>312,363,592</b>	<b>N/A</b>
<b>1998</b>	<b>357,160</b>	<b>62,879,722</b>	<b>19,269,600</b>	<b>248,082,112</b>	<b>41,267,918</b>	<b>371,856,512</b>	<b>N/A</b>
<b>1999</b>	<b>365,960</b>	<b>63,835,126</b>	<b>22,676,740</b>	<b>276,077,856</b>	<b>48,793,482</b>	<b>411,749,164</b>	<b>N/A</b>
<b>2000</b>	<b>366,328</b>	<b>71,585,526</b>	<b>28,474,900</b>	<b>299,644,772</b>	<b>53,112,762</b>	<b>453,184,288</b>	<b>N/A</b>
<b>2001</b>	<b>366,328</b>	<b>77,349,208</b>	<b>29,141,988</b>	<b>334,109,914</b>	<b>62,212,030</b>	<b>503,179,468</b>	<b>N/A</b>
<b>2002</b>	<b>366,800</b>	<b>86,066,000</b>	<b>36,695,600</b>	<b>362,070,800</b>	<b>74,380,400</b>	<b>559,579,600</b>	<b>N/A</b>
<b>2003</b>	<b>369,000</b>	<b>99,694,800</b>	<b>42,047,000</b>	<b>404,503,800</b>	<b>81,473,600</b>	<b>628,088,200</b>	<b>N/A</b>
<b>2004</b>	<b>289,400</b>	<b>109,523,200</b>	<b>43,281,200</b>	<b>454,204,000</b>	<b>81,866,200</b>	<b>689,164,000</b>	<b>N/A</b>
<b>2005</b>	<b>289,400</b>	<b>143,615,200</b>	<b>39,028,200</b>	<b>525,135,800</b>	<b>80,573,600</b>	<b>788,642,200</b>	<b>N/A</b>
<b>2006</b>	<b>289,400</b>	<b>145,296,000</b>	<b>37,550,400</b>	<b>576,763,600</b>	<b>81,110,800</b>	<b>841,010,200</b>	<b>N/A</b>

**Source      City Records**

# CITY OF SOUTH HAVEN, MICHIGAN

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF TAXABLE VALUE)

1996 THROUGH 2005

(UNAUDITED)

	Year of Levy	General Operations	Garbage/ Refuse	Street	Narcotics	Library	Hospital	Senior Services	City Total	Non- Homestead School	Homestead School	State Education Tax	Community College	Intermediate School District	County	Total
1996 Homestead	12.4305	1.4436	0.0000	0.8222	0.4900	0.4000	0.0000	15.5863			2.8200	6.0000		6.6079	6.7200	37.7342
Non Homestead	12.4305	1.4436	0.0000	0.8222	0.4900	0.4000	0.0000	15.5863	20.8200			6.0000		6.6079	6.7200	55.7342
1997 Homestead	12.4305	1.3390	0.0000	0.8222	0.4900	0.4000	0.0000	15.4817			2.7000	6.0000		6.6079	6.7200	37.5096
Non Homestead	12.4305	1.3390	0.0000	0.8222	0.4900	0.4000	0.0000	15.4817	20.5996			6.0000		6.6079	6.7200	55.4092
1998 Homestead	12.2378	1.2995	0.0000	0.8095	0.5900	0.3938	0.2500	15.5806			2.6300	6.0000		6.5907	6.7071	37.5084
Non Homestead	12.2378	1.2995	0.0000	0.8095	0.5900	0.3938	0.2500	15.5806	20.2664			6.0000		6.5907	6.7071	55.1448
1999 Homestead	12.0824	1.4800	0.0000	0.7992	0.5900	0.3887	0.2468	15.5871			2.6300	6.0000		6.5371	6.6520	37.4062
Non Homestead	12.0824	1.4800	0.0000	0.7992	0.5900	0.3887	0.2468	15.5871	20.1059			6.0000		6.5371	6.6520	54.8821
2000 Homestead	11.7960	1.3540	0.0000	0.7802	0.5900	0.3794	0.2409	15.1405			2.6300	6.0000		6.4754	6.5993	36.8452
Non Homestead	11.7960	1.3540	0.0000	0.7802	0.5900	0.3794	0.2409	15.1405	19.7371			6.0000		6.4754	6.5993	53.9523
2001 Homestead	11.5954	1.3540	0.0000	0.7669	0.5900	0.3729	0.2368	14.9160			2.6300	6.0000		6.4390	6.5641	36.5491
Non Homestead	11.5954	1.3540	0.0000	0.7669	0.5900	0.3729	0.2368	14.9160	20.6300			6.0000		6.4390	6.5641	54.5491
2002 Homestead	11.3808	1.3540	0.0000	0.7527	0.5900	0.3660	0.2500	14.6935			3.9716	6.0000	1.8416	6.3558	6.5138	39.3763
Non Homestead	11.3808	1.3540	0.0000	0.7527	0.5900	0.3660	0.2500	14.6935	21.6119			6.0000	1.8416	6.3558	6.5138	57.0166
2003 Homestead	11.1190	1.3540	1.7097	0.7353	0.5900	0.3575	0.2442	16.1097			4.4300	5.0000	1.8209	6.2641	6.4264	40.0511
Non Homestead	11.1190	1.3540	1.7097	0.7353	0.5900	0.3575	0.2442	16.1097	22.4256			5.0000	1.8209	6.2641	6.4264	58.0467
2004 Homestead	11.0044	1.2186	1.6920	0.7277	0.5900	0.3538	0.2416	15.8281			3.9000	6.0000	1.8174	6.2012	7.1039	40.8506
Non Homestead	11.0044	1.2186	1.6920	0.7277	0.5900	0.3538	0.2416	15.8281	21.9000			6.0000	1.8174	6.2012	7.1039	58.8506
2005 Homestead	10.8118	1.1000	1.6623	0.7149	0.5900	0.3476	0.2373	15.4639			3.7000	6.0000	1.8060	6.1309	7.0348	40.1356
Non Homestead	10.8118	1.1000	1.6623	0.7149	0.5900	0.3476	0.2373	15.4639	21.7000			6.0000	1.8060	6.1309	7.0348	58.1356

Source City Records

**CITY OF SOUTH HAVEN, MICHIGAN**  
**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS**

**1997 THROUGH 2006**

**(UNAUDITED)**

<b>Year Ended June 30,</b>	<b>Special Assessment Billings</b>	<b>Special Assessment Collections (Note A)</b>
<b>1997</b>	<b>-</b>	<b>1,160</b>
<b>1998</b>	<b>49,193</b>	<b>137,922</b>
<b>1999</b>	<b>32,246</b>	<b>66,613</b>
<b>2000</b>	<b>94,081</b>	<b>85,574</b>
<b>2001</b>	<b>41,527</b>	<b>33,352</b>
<b>2002</b>	<b>32,750</b>	<b>120,177</b>
<b>2003</b>	<b>29,530</b>	<b>30,838</b>
<b>2004</b>	<b>141,997</b>	<b>282,854</b>
<b>2005</b>	<b>111,861</b>	<b>203,315</b>
<b>2006</b>	<b>197,843</b>	<b>120,715</b>

**Note A**      **Includes prepayments.**

**Source**      **City Records**

# CITY OF SOUTH HAVEN, MICHIGAN

## RATIO OF GENERAL BONDED DEBT TO STATE EQUALIZED VALUE (SEV) AND BONDED DEBT SERVICES PER CAPITA

1997 THROUGH 2006

(UNAUDITED)

	<u>Year Ended June 30,</u>	<u>Estimated Population</u>	<u>State Equalized Valuation</u>	<u>General Obligation Bonds</u>	<u>Less Available Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Debt to SEV</u>	<u>Net Bonded Debt Per Capita</u>
	1996	5,563	151,936,963	1,875,000	10,970	1,864,030	1.23%	335
	1997	5,563	165,407,718	1,995,000	23,360	1,971,640	1.19%	354
	1998	5,563	185,928,256	2,480,000	125,828	2,354,172	1.27%	423
	1999	5,563	205,874,582	2,245,000	135,002	2,109,998	1.02%	379
	2000	5,563	226,592,144	2,000,000	117,771	1,882,229	0.83%	338
	2001	5,021	253,207,299	1,725,000	91,542	1,633,458	0.65%	325
	2002	5,021	279,789,800	5,140,000	33,368	5,106,632	1.83%	1,017
	2003	5,021	314,044,100	10,570,000	34,519	10,535,481	3.35%	2,098
	2004	5,021	344,582,000	10,155,000	35,617	10,119,383	2.94%	2,015
	2005	5,021	394,321,100	9,705,000	39,545	9,665,455	2.45%	1,925
	2006	5,021	420,505,100	9,250,000	52,257	9,197,743	2.19%	1,832

Source      City Records

# **CITY OF SOUTH HAVEN, MICHIGAN**

## **RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES**

**1997 THROUGH 2006**

**(UNAUDITED)**

<b><u>Year Ended June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>	<b><u>Total General Fund Expenditures</u></b>	<b><u>Ratio of Debt Service to General Fund Expenditures</u></b>
1997	65,000	172,281	237,281	4,343,966	1 to 18.31
1998	225,000	122,995	347,995	4,418,651	1 to 12.70
1999	235,000	117,385	352,385	4,290,195	1 to 12.17
2000	245,000	109,388	354,388	4,557,971	1 to 12.86
2001	275,000	99,003	374,003	4,350,139	1 to 11.63
2002	285,000	161,754	446,754	4,499,628	1 to 10.07
2003	370,000	299,583	669,583	4,519,274	1 to 6.68
2004	415,000	439,298	854,298	5,178,689	1 to 6.06
2005	450,000	424,761	874,761	5,291,717	1 to 6.05
2006	455,000	408,703	863,703	4,982,898	1 to 5.77

**Source      City Records**

# CITY OF SOUTH HAVEN, MICHIGAN

## COMPUTATION OF LEGAL DEBT MARGIN FOR GENERAL OBLIGATION BONDS

JUNE 30, 2006

(UNAUDITED)

State Equalized Valuation		\$ 420,505,100
Debt Limit - 10% of State Equalized Value		\$ 42,050,510
Amount of Debt Applicable to Limit		
Building Authority #1	\$ 850,000	
Building Authority #2	3,170,000	
Capital Improvement	5,230,000	
Downtown Development Authority	2,730,000	
	<u>11,980,000</u>	
Less: Assets Available for Debt Service		
Building Authority #1	(30,895)	
Building Authority #2	(14,927)	
Capital Improvement	(6,434)	
Plus: Downtown Development Authority Deficit	<u>267,821</u>	
Net General Obligation Debt Subject to Limitation		<u>12,195,565</u>
Legal Debt Margin for General Obligation Bonds		<u>\$ 29,854,945</u>

## COMPUTATION OF LEGAL DEBT MARGIN FOR SPECIAL ASSESSMENT BONDS

JUNE 30, 2006

(UNAUDITED)

State Equalized Valuation	\$ 420,505,100
Debt Limit - 12% of State Equalized Value	\$ 50,460,612
Legal Debt Margin for Special Assessment Bonds	<u>\$ 50,460,612</u>

Source      City Records

# CITY OF SOUTH HAVEN, MICHIGAN

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2006

(UNAUDITED)

<u>Name of Governmental Unit</u>	<u>Bonds Outstanding</u>	<u>Balances on Hand</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>City's Share of Debt</u>
<b>City of South Haven Direct Debt</b>					
Building Authority Bonds (LTGO)	\$ 850,000	\$ 30,895	\$ 819,105		
Building Authority Bonds (LTGO)	3,170,000	14,927	3,155,073		
Electric Revenue Bonds	1,290,000	180,000	1,110,000		
Capital Improvement Bonds (LTGO)	5,230,000	6,434	5,223,566		
Downtown Development Authority Bonds (LTGO)	2,730,000	(267,821)	2,997,821		
Water System Revenue Bonds	395,000	50,433	344,567		
<b>Total Direct Debt</b>	<b>\$ 13,665,000</b>	<b>\$ 14,868</b>	<b>13,650,132</b>	<b>100.00 %</b>	<b>\$ 13,650,132</b>
<b>City of South Haven Overlapping Debt</b>					
South Haven Public Schools (Note A)			34,467,000	51.49% %	17,747,058
Van Buren County (Note A)			3,524,220	11.67%	411,276
Allegan County (Note A)			10,468,430	0.09%	9,422
<b>Total Overlapping Debt</b>			<b>48,459,650</b>		<b>18,167,756</b>
<b>Total Direct and Overlapping Debt</b>			<b>\$ 62,109,782</b>		<b>\$ 31,817,888</b>
					33,134,628

**Note A**      **Overlapping jurisdictions outstanding and overlapping debt as of June 30, 2004.**

**Source**      **City Records and Municipal Advisory Council of Michigan**

# CITY OF SOUTH HAVEN

## REVENUE BOND COVERAGE

1997 THROUGH 2006

(UNAUDITED)

	Year Ended June 30,	Revenue and Other Sources	Expenses and Other Uses (Note A)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
Electric Utility System Revenue Bonds (serviced by the Electric Fund)	1997	7,831,110	6,802,026	1,029,084	-	64,468	64,468	15.96
	1998	8,069,133	7,362,374	706,759	65,000	127,638	192,638	3.67
	1999	9,496,155	7,999,885	1,496,270	65,000	123,004	188,004	7.96
	2000	9,399,172	8,028,854	1,370,318	70,000	117,991	187,991	7.29
	2001	9,516,255	7,575,493	1,940,762	75,000	112,204	187,204	10.37
	2002	9,045,029	8,189,678	855,351	80,000	106,585	186,585	4.58
	2003	10,079,126	8,305,669	1,773,457	80,000	100,805	180,805	9.81
	2004	9,472,686	8,611,407	861,279	85,000	94,804	179,804	4.79
	2005	9,602,023	8,993,967	608,056	390,000	83,979	473,979	1.28
	2006	10,238,245	9,319,810	918,435	0	68,685	68,685	13.37
Wastewater Treatment System Revenue Bonds (serviced by the Sewer Fund)	1997	819,463	855,475	(36,012)	80,000	103,472	183,472	-0.20
	1998	1,023,366	840,945	182,421	90,000	97,933	187,933	0.97
	1999	1,286,347	815,054	471,293	95,000	92,112	187,112	2.52
	2000	1,383,236	987,872	395,364	100,000	82,653	182,653	2.16
	2001	1,134,789	939,782	195,007	110,000	73,785	183,785	1.06
	2002	1,350,063	978,433	371,630	115,000	65,865	180,865	2.05
Water System Revenue Bonds (serviced by the Water Fund)	2001	1,032,247	874,736	157,511	0	0	0	
	2002	1,194,673	906,035	288,638	15,000	20,730	35,730	8.08
	2003	1,289,701	1,190,183	99,518	15,000	22,045	37,045	2.69
	2004	2,233,347	1,200,839	1,032,508	15,000	21,460	36,460	28.32
	2005	1,751,019	1,412,083	338,936	15,000	20,860	35,860	9.45
	2006	1,632,066	1,473,275	158,791	15,000	20,253	35,253	4.50

Note A Excludes depreciation and amortization expense.

Source City Records

# CITY OF SOUTH HAVEN

## CONSTRUCTION (Note A)

1996 THROUGH 2005

(UNAUDITED)

Calendar Year	Commercial Construction		Residential Construction		Industrial Construction		Total Construction	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1996	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1997	88	\$ 5,504,996	327	\$ 3,208,463	12	\$ 4,234,445	427	\$ 12,947,904
1998	81	2,273,811	354	4,956,068	15	3,092,009	450	10,321,888
1999	42	4,816,060	368	5,380,315	11	1,494,415	421	11,690,790
2000	75	4,322,486	354	7,031,307	24	3,445,976	453	14,799,769
2001	80	5,567,901	314	5,750,413	13	301,423	407	11,619,737
2002	64	4,801,292	333	9,186,942	12	2,690,909	409	16,679,143
2003	75	12,640,640	303	9,909,082	2	606,000	380	23,155,722
2004	94	3,096,319	372	12,319,942	2	394,000	468	15,810,261
2005	70	2,675,554	325	9,910,874	0	0	395	12,586,428

Note A Data unavailable prior to calendar year 1997.

Source City Records

# CITY OF SOUTH HAVEN, MICHIGAN

## DEMOGRAPHIC STATISTICS

1997 THROUGH 2006

(UNAUDITED)

<b>Year</b>	<b>Population (Note A)</b>	<b>Per Capita Income (Note A)</b>	<b>Median Age (Note A)</b>	<b>Education Level</b>	<b>Public School Enrollment (Note B)</b>	<b>Unemployment Rate (Note C)</b>
1997	5,563	N/A	N/A	N/A	2,786	5.6%
1998	5,563	N/A	N/A	N/A	2,809	4.5%
1999	5,563	N/A	N/A	N/A	2,719	4.0%
2000	5,563	N/A	N/A	N/A	2,628	4.0%
2001	5,021	N/A	42.1	N/A	2,397	4.9%
2002	5,021	N/A	42.1	N/A	2,435	6.4%
2003	5,021	N/A	42.1	N/A	2,466	7.3%
2004	5,021	N/A	42.1	N/A	2,355	6.6%
2005	5,021	N/A	42.1	N/A	2,333	6.4%
2006	5,021	N/A	42.1	N/A	2,332	6.5%

Source:

Note A 1990 Census Data/2000 Census Data

Note B Michigan Department of Education (public school system includes area greater than City of South Haven)

Note C Bureau of Labor Statistics

# CITY OF SOUTH HAVEN, MICHIGAN

## MISCELLANEOUS STATISTICS

JUNE 30, 2006

Date of Incorporation	1869
Form of Government	Council/Manager
Number employees:	
Full-time	73
Part-time and seasonal	74
Miles of streets	36.79
Culture and Recreation:	
Parks	10
Park acreage	49
Miles of beach frontage	1.00
Municipal marinas	4
Number of municipally owned boat slips	225
Feet of broadside dockage	600
Number of boat launches	10
Public owned museums	1
Not-for-profit museums	1
Fire Protection:	
Joint venture - South Haven Emergency Services Authority	
Police Protection:	
Number of stations	1
Number of substations	1
Number of sworn officers	20
Number of vehicular units	11
Sewage System:	
Miles of sanitary sewers	37.00
Miles of storm sewers	13.60
Number of treatment plants	1
Number of service connections	3,555
Daily average treatment in gallons	1,350,000
Maximum daily capacity of treatment plant in gallons	2,190,000
Water System:	
Miles of water mains	54
Number of service connections	4,398
Number of fire hydrants	406
Daily average consumption in gallons	1,446,000
Maximum daily capacity of plant in gallons	4,200,000
Electric Distribution System:	
Miles of service	115
Number of service connections	7,500
Number of distribution stations	2
Education:	
Number of public elementary schools (K-5)	3
Number of private elementary schools (K-8)	2
Number of public middle schools (6-8)	1
Number of public high schools (9-12) - (includes alternative ed school)	2
Number of certified public school staff	137
Public school enrollment	2,332
Hospitals:	
Number of hospitals	1
Number of licensed patient beds	82



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



August 31, 2006

To the City Council of the  
City of South Haven  
South Haven, Michigan

We have audited the financial statements of City of South Haven for the year ended June 30, 2006, and have issued our report thereon dated August 31, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated June 28, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of City of South Haven. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of South Haven are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by City of South Haven during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on City of South Haven's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by City of South Haven, either individually or in the aggregate, indicate matters that could have a significant effect on City of South Haven's financial reporting process.

### **Investments carried at Book Value**

The City has invested in various U.S. Government Securities with fixed maturities in excess of one year and carried such investments at the City's cost. Generally Accepted Accounting Principles require such investments to be carried instead at fair value. As these investments are intended to be held to maturity, management has elected not to recognize short-term fluctuations in market value in the financial statements. Accordingly, at year end, the City has investments in its general, electric, sewer and marina funds that exceeded their respective fair value by \$27,000, \$42,000, \$14,000 and \$1,000. Management has determined that the effect of these misstatements is not material to the City's financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of South Haven's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.

# City of South Haven

## Comments and Recommendations (Concluded)

For the Year Ended June 30, 2006

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During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated August 31, 2006 on the financial statements of City of South Haven.

### **Internal Controls – Segregation of Duties**

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the City's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the City's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the City's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible. However we did note the following specific items which we would like to highlight:

- **Required Vacations for key Accounting Personnel**

The City does not currently require its key accounting personnel to take annual vacations during which time another employee will perform his/her duties. While we understand that employees typically do take annual vacations, requiring this by policy would enhance internal control by ensuring that their duties are covered by another individual in their absence.

- **Petty Cash Access**

The City does not currently restrict access to its petty cash boxes to a single custodian. We understand that this is for administrative convenience. However, limiting access further would enhance internal control.

# City of South Haven

## Comments and Recommendations (Concluded)

For the Year Ended June 30, 2006

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- **Investment Reconciliation**

The City does not currently require monthly reconciliations of investments by an individual not responsible for managing the investments. Periodic reconciliations by a second individual would enhance internal control.

- **New Vendors**

The City does not currently seek approval for new vendors from an individual not responsible for accounts payable. While all disbursements are reviewed and approved by the City Council, City Manager, and/or Finance Director, independent review and approval of new vendors in the accounts payable system would enhance internal control.

- **Capital Assets Inventory**

The City does not currently inventory and monitor all capital assets that are susceptible to theft. Also the City does not currently require an annual review of capital asset additions and deletions by individual departments.

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